

# Inclusionary Housing and Middle-Income Housing Study for the County of San Diego

**Consolidated Economic Analysis**  
Final

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## Table of Contents

<b>1.</b>	<b>Executive Summary.....</b>	<b>7</b>
1.1	Overview .....	7
1.2	Middle-Income Density Bonus Program Opportunity .....	7
1.3	Inclusionary Housing for GPA Projects Program Opportunity .....	9
<b>2.</b>	<b>Overview and Organization of the Report .....</b>	<b>12</b>
<b>3.</b>	<b>Market Assessment .....</b>	<b>13</b>
3.1	Overview .....	13
3.2	Demographic and Socioeconomic Trends .....	13
3.3	Residential Supply Characteristics.....	22
3.4	Affordable and Middle-Income Housing Demand .....	32
3.5	Summary.....	35
<b>4.</b>	<b>Best Practices Literature Review.....</b>	<b>37</b>
4.1	Overview .....	37
4.2	Trends in Inclusionary Housing.....	37
4.3	Inclusionary Housing Characteristics and Success Factors .....	38
4.4	Middle-Income Housing Programs .....	42
4.5	Comparable Inclusionary Housing Programs.....	43
<b>5.</b>	<b>Interviews.....</b>	<b>48</b>
5.1	Overview .....	48
5.2	Interview Summary.....	48
<b>6.</b>	<b>Economic Analysis.....</b>	<b>51</b>
6.1	Overview .....	51
6.2	GPA Inclusionary Analysis .....	51
6.3	Middle Income Density Bonus Analysis.....	67
<b>7.</b>	<b>Recommendations .....</b>	<b>69</b>
7.1	Middle Income Density Bonus Program Recommendation .....	69
7.2	Affordable/Inclusionary Housing Program Recommendation.....	70
<b>8.</b>	<b>Appendix .....</b>	<b>73</b>
8.1	Bibliography of Sources for Literature and Best Practices Survey.....	73
8.2	Backing Data for Feasibility Analysis .....	76

## Tables

Table 1: Population, Household, and Employment Growth by Sub-Area 2010-2020.....	15
Table 2: Population, Household, and Employment Forecast 2020-2050.....	16
Table 3: Housing Inventory and General Plan Capacity .....	22
Table 4: Housing Inventory Mix by Unincorporated County Sub-Area and Type (2018).....	23
Table 5: County-Managed Affordable Housing Inventory .....	24
Table 6: Residential Development 2011-2020 by Type and Sub-Area.....	25
Table 7: County Housing Development Pipeline by Type.....	27
Table 8: Residential Production by Land Use Designation in Unincorporated Area, 8/10/2019-8/10/2020 .....	32
Table 9: RHNA County and Unincorporated Area Allocation 2021-2029 .....	33
Table 10: HUD/HCD Affordable Housing Income Limits.....	34
Table 11: Household Income by AMI Tier in the County and Unincorporated Area.....	34
Table 12: Allocation of RHNA Target by Sub-Area by Affordable Housing AMI Tier.....	35

Table 13: County Jurisdictions by Inclusionary Housing Program, RHNA Allocation, and Population .....	38
Table 14: Inclusionary Zoning Program Comparison .....	46
Table 15: Interviewees.....	48
Table 16: Illustrative Impact of GPA Upzoning on Development Economics.....	52
Table 17. GPA Projects Assessed for Analysis.....	53
Table 18. For-Sale Residential Prototypes .....	54
Table 19. Recent San Diego County Multifamily Projects .....	54
Table 20. For-Rent Residential Prototypes.....	55
Table 21. GPA Projects: For-Sale Pricing Assumptions .....	55
Table 22. Non-GPA Projects: For-Sale Pricing Assumptions.....	55
Table 23. GPA Projects: Rental Project Rent Assumptions .....	56
Table 24. Housing Cost Affordability by Income Tier .....	57
Table 25. Supportable Sales Price by Affordable Income Tier .....	58
Table 26. Supportable Rent by Affordable Income Tier .....	59
Table 27. Affordable Set-Aside Scenarios Tested .....	60
Table 28. Base Case (All-Market-Rate) Residual Land Value by Residential Type .....	61
Table 29. Prototypical GPA Project Base Case Residual Land Value Per Land Square Foot.....	62
Table 30. Change in Residual Land Value Relative to Base Case by Set-Aside Scenario and by Product Type.....	62
Table 31. Prototypical GPA Project Residual Land Value Per Land Square Foot: Base Case vs. Set-Aside Scenarios .....	63
Table 32. Return on Cost (Assuming Base Case Land Value).....	63
Table 33. Feasibility Summary .....	64
Table 34. Implied In-Lieu Fees for a Prototypical GPA Project by GBA Square Foot by Set-Aside Scenario .....	66
Table 35: Financing Gap between Market Rate and Affordable Units .....	67
Table 36. GPA Project Moderate and Middle-Income Supportable Sales Prices vs. Market Prices .....	67
Table 37. Non-GPA Project Moderate and Middle-Income Supportable Sales Prices vs. Market Prices.....	68
Table 38. Moderate and Middle-Income Supportable Rents vs. Market Rents .....	68
Table 39. Flexible Compliance Alternatives .....	71
Table 40. Recent Residential Sales Transactions at Approximately 2.9 Dwelling Units Per Acre Density .....	76
Table 41. Recent Residential Sales Transactions at Approximately 4.3 Dwelling Units Per Acre Density .....	77
Table 42. Recent Residential Sales Transactions at Approximately 7.9 Dwelling Units Per Acre Density .....	78
Table 43. Recent Residential Sales Transactions at Approximately 10.9 Dwelling Units Per Acre Density.....	79
Table 44. Recent Residential Sales Transactions at Approximately 15 Dwelling Units Per Acre Density .....	79
Table 45. Rents at Recent Multifamily Projects at 20 Dwelling Units Per Acre Density.....	80
Table 46. Rents at Recent Multifamily Projects at 30 Dwelling Units Per Acre Density.....	81
Table 47. Rents at Recent Multifamily Projects at 45 Dwelling Units Per Acre Density.....	82
Table 48: Utilities Allowance for Affordable Ownership Units.....	82
Table 49: Base Case Pro Forma: SFD 2.9 .....	83
Table 50: Base Case Pro Forma: SFD 4.3 .....	85
Table 51: Base Case Pro Forma: SFD 4.3 .....	87
Table 52: Base Case Pro Forma: SFD 7.3 .....	89
Table 53: Base Case Pro Forma: Condo 10.9.....	91
Table 54: Base Case Pro Forma: TH-15.....	93
Table 55: Base Case Pro Forma: Garden 20.....	95
Table 56: Base Case Pro Forma: Flats 30 .....	97
Table 57: Base Case Pro Forma: Podium 45 .....	99

## Figures

Figure 1: Geographical Sub-Area Map .....	14
Figure 2: Median Household Income (All Households) by Sub-Area .....	17
Figure 3: Distribution of Median Household Income by Sub-Area.....	17
Figure 4: Age Cohort by Sub-Area .....	18
Figure 5: Educational Attainment by Sub-Area.....	19

Figure 6: Average Household Size by Sub-Area .....	20
Figure 7: Own vs. Rent by Sub-Area.....	21
Figure 8: Residential Cost Burden by Sub-Area .....	22
Figure 9: New Development 2011-2020 by Type and Sub-Area .....	26
Figure 10: County Housing Development Pipeline by Location .....	28
Figure 11: Single Family Median Home Value by Sub-Area, 2000-2020 .....	29
Figure 12: Condo/Co-op Median Home Value by Sub-Area, 2000-2020 .....	30
Figure 13: Multifamily Effective Rent by Sub-Area, 2000-2020 .....	31
Figure 14. Product Mix Comparison at Equivalent land Value for Base Case and Set-Aside Scenarios .....	65
Figure 15. Unit Count Comparison at Equivalent land Value for Base Case and Set-Aside Scenarios.....	65

# 1. Executive Summary

## 1.1 Overview

Unincorporated San Diego County is in a housing crisis. Household income growth has lagged housing costs, and an estimated one in two households spends more on housing than considered financially sustainable by the Department of Housing and Urban Development (HUD) standards. The affordability gap is attributable in part to housing production that has fallen behind regional housing production goals, which has caused the price of scarce supply to be bid up.

AECOM was retained by San Diego County Planning & Development Services (PDS) to prepare policy options for increasing production in the unincorporated county area of housing affordable to low-income and middle-income households. As directed by the County Board of Supervisors (BOS) in October 2018, the policy options fall into two potential programs:

- **Middle-Income Density Bonus (MIDB)** program that would expand the current density bonus program to include an income tier targeted middle-income households;
- **Inclusionary housing program applicable to General Plan Amendment (GPA)** projects of 50 units or more featuring either discretionary (Option 1) or pre-defined (Option 2) set-aside requirements for on-site development, alternative compliance mechanisms, and possible incentives.

## 1.2 Middle-Income Density Bonus Program Opportunity

The purpose of a potential MIDB program is to address concerns that housing affordable to “middle-income” households is not being produced in the current market environment. Traditional support for housing affordability has prioritized housing for low-income households. However, as residential costs have outpaced income growth in the County and throughout California, housing affordability needs are increasing for middle-income households as well.

Middle income is defined in the BOS direction as housing that is affordable for households earning between 120 and 150 percent Area Median Income (AMI), which in the San Diego-Carlsbad Metropolitan Statistical Area (MSA) for a family of four in 2020 was between \$111,240 and \$139,050. Most affordable housing programs are designed to assist households classified as Low Income with AMI of 80 percent or lower.<sup>1</sup> The unincorporated county area has 1,102 affordable units under County management of which none are covenanted for Moderate Income households earning between 80 percent and 120 percent of AMI or Middle Income Households earning between 120 and 150 percent of AMI. While a few programs, including the California State Density Bonus Law (SDBL), include support for Moderate Income households, a MIDB program would offer a resource not currently available in San Diego County.

If adopted, a MIDB program, would operate as an expansion of the SDBL, which offers project developers density bonuses and access to concessions (like parking reductions and exemptions from building form requirements) in exchange for setting aside a pre-defined share of units for income-restricted households. The underlying assumption for the program is that bonus density and concessions narrow or close the development feasibility gap between market-rate and affordable units. For a MIDB to function as intended, the housing cost supportable by middle incomes must be lower than the cost of market-rate units. Conversely, if the housing cost supportable by middle incomes is higher than the cost of market-rate units,

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<sup>1</sup> Area Median Income (AMI) is a measure prepared by the US Department of Housing and Urban Development (HUD) for use in gauging household eligibility for affordable housing. AMI is the midpoint of a region's income distribution, with half of households earning more and half earning less. For a full description of AMI and the different affordable income tiers, please refer to Section 6.2.2.4. For AECOM's derivation of Middle Income household income, please refer to Section 6.3.1.

the market is likely already producing units that are affordable to those in this income tier, which would undermine the effectiveness of a MIDB program.

To test whether a MIDB program is justified by a gap between market-rate housing costs and middle-income-supported housing costs, AECOM compared estimated sales prices and rents supportable by a middle income household with actual market sales prices and rents of representative residential projects in the unincorporated county area. (For derivation of middle-income supported housing costs, please refer to Table 36 and Table 38.) In a set of 116 representative home sales transactions completed between 2017 and 2020, 14 percent of all units transacted at values below the middle-income supportable cost threshold. Broken out by housing type, there were no single-family units at 2.9 dwelling units per acre (DUAC) affordable by middle-income households, but 3 percent of single-family units at 4.3 DUAC, 8 percent of single-family units at 7.3 DUAC, 31 percent of condominiums at 10.9 DUAC, and 54 percent of townhomes at 15 DUAC were affordable by middle-income households. In a set of 16 multifamily rental projects completed in the unincorporated county area between 2014 and 2020 totaling 3,571 units and including examples of garden apartments at approximately 20 DUAC, stacked flats at approximately 30 DUAC, and podium products at approximately 45 DUAC, 82 percent of all units rented at Moderate Income levels, and nearly 99 percent rented at either Moderate Income or Middle Income levels.

These results suggest the market is affirmatively producing middle-income housing affordable to households in the 120 to 150 percent AMI range. Nearly all rental units in the set are affordable for middle-income households, and a small but significant proportion of for-sale units are as well. Thus, a MIDB Program would likely offer developers incentives to produce what are essentially market-rate units. This would likely yield windfall returns and dominate demand for density bonuses, thereby diverting housing production away from other affordable income tiers. This finding is consistent with findings from the best practices literature review (please refer to Section 4.4), which indicates that for jurisdictions pursuing policies to encourage middle-income housing production, density bonuses are not a preferred strategy. Consequently, AECOM does not recommend the County pursue a MIDB program.

However, despite evidence of residential pricing in several product categories that's affordable for households in the 120 to 150 percent AMI range, trends in residential development in the unincorporated area still emphasize single-family detached units, and production of more affordable attached and multifamily projects appears to be static or declining, which underscores the need for policies and strategies that encourage production of a more diverse range of housing types. (See Section 3.3 for a discussion of current and future housing supply.) Furthermore, the literature review also indicated that "middle-income" is more typically defined as between 80 and 120 percent AMI. As noted above, the County's inventory of affordable housing does not include any units at this tier. Consequently, production of units at between 80 and 120 percent AMI may be a better target for focused policy.

Typical public-sector strategies to encourage Moderate Income that might be employed by the County fall into three broad categories:

1. Zoning tools that support higher-density and more flexible development, such as the garden-style apartments at 20-24 dwelling units per acre, which has been shown to be efficient at supporting affordable rents (See Table 35 for an illustration.)
2. Regulatory and policy adjustments that streamline the approval process and reduce development costs
3. Specialized financing tools targeted at households in the 80-150 percent AMI income tier.

For an expanded discussion of potential strategies, please refer to Section 7.1.



### 1.3 Inclusionary Housing for GPA Projects Program Opportunity

Inclusionary housing, also known as inclusionary zoning, refers to jurisdictional ordinances that require a share of new construction to be affordable. Two options for an inclusionary housing program have been proposed for consideration in the unincorporated county area. Option 1 requires GPA projects to provide affordable units but without a predefined share of new construction that must be set aside as affordable. Compliance requirements under Option 1 would be set through the discretionary process on a project-by-project basis. Option 2 requires GPA projects to provide affordable units in accordance with a predefined share of new construction. AECOM recommends the County pursue Option 2 combined with alternative compliance options that allow flexibility in meeting program requirements. Option 2 provides more predictability than Option 1, which both guarantees support for development of affordable units and provides predictability for project developers. The specifics of this recommendation are discussed below.

Inclusionary housing is widely represented in the San Diego region. As of 2020, 9 of 18 incorporated cities in San Diego County have mandatory inclusionary housing programs in place, which means 66 percent of the population resides in jurisdictions with an inclusionary housing program, a figure that increases to 81 percent with County adoption. The 9 cities with inclusionary housing policies also account for approximately 79 percent of the 6th Cycle RHNA allocation, increasing to 83 percent with County adoption. The risk of an inclusionary housing program causing developers to bypass development in the unincorporated county area is mitigated by this widespread use.

To better understand how inclusionary housing programs have been deployed, AECOM profiled seven peer jurisdictions with inclusionary housing programs including three County cities and four counties. At one end of the spectrum are jurisdictions with mandatory programs that require most new residential projects to set aside some minimum portion of units. Of these, Los Angeles County, the City of San Diego, and San Luis Obispo County feature extensive schedules of density bonus incentives and alternative compliance options. Other programs, such as Sacramento County and the City of Carlsbad, are more discretionary and require developers to negotiate terms of compliance. At the other end of the spectrum is Riverside County, which has a voluntary program that offers density bonus options that expand on the schedule offered by the State Density Bonus Program. Minimum total set-aside required at peer jurisdictions ranges from 5 percent to 20 percent, and most focus on the Low Income tier (50 to 80 percent AMI). Some also include options for the Moderate Income tier (80 to 120 percent), but these apply to for-sale units only. None of the jurisdictions include options for set-aside in the 120 percent to 150 percent AMI tier. (Please refer to Table 14 for a comparison of peer programs, and Section 4.5 for a full discussion.)

GPA projects are a major source of housing production in unincorporated San Diego County and a strong potential source of affordable housing production. According to County building permits data, in a twelve-month period ending in August 2020, GPA projects contributed 58 percent of the 527 housing units completed.<sup>2</sup> GPA projects and other planned community developments offer some advantages to developers over by-right projects, including the potential for assembling larger land parcels than otherwise possible, and greater control in master planning, landscape design, residential design, and provision of community amenities. GPA projects can also offer a funding resource for affordable housing, because upzoning through the GPA process creates significant land value that may be captured and used to fund affordable units. (For an illustration of how upzoning increases land value, please see Table 16.)

Some of the value created through upzoning is typically returned to communities in the form of a community benefits package that can include a wide range of elements, from public infrastructure, to open space, to parks, to community-serving facilities such as a police station, fire station, or community center. Affordable housing is typically included as part of these community benefits packages, and so a required inclusionary set-aside may result in a reduction in resources available to fund other community benefits.

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<sup>2</sup> Note: set excludes mobile homes and ADUs.

At the same time, discretionary projects and especially GPA projects are very risky and often incur setbacks that erode project value significantly. Land improvement and infrastructure costs and the lengthy and unpredictable entitlement process, which is often fueled by strong community resistance, add development cost and a real threat of total project loss. Consequently, developers typically assume high returns when underwriting GPA projects, which both provide cushion against unknowns and compensation for risking capital.

Successful inclusionary housing programs typically feature the following characteristics. (For a full discussion of inclusionary housing program best practices, please refer to Section 4.3.)

- Close calibration with a jurisdiction's market and regulatory conditions to preserve feasible market development.
- Access to incentives and offsets to help investors make up lost income from affordable units.
- Flexible compliance options such as in-lieu fees, off-site development, or land dedications that may be used in conjunction with or instead of on-site provision of affordable units.
- Streamlining of regulatory barriers and entitlement processes to facilitate adoption of inclusionary requirements.

The BOS direction specifies that the set-aside requirements should apply to projects with 50 units or more. Developers interviewed expressed a preference for a minimum of 100 or 150 units, arguing that larger projects are better able to absorb the costs and lost revenue associated with the affordable units. However, in many peer jurisdictions, the project size minimum threshold is considerably lower, and 5- and 10-unit minimums (typically enabled through in-lieu fees rather than on-site development) are common. (Given that nearly all GPA projects are larger than 50 units, compliance is likely to be universal whether the threshold is set at 5 or 50 units.)

To develop affordable set-aside recommendations that, as noted in the first dot-point above, are closely calibrated with market and regulatory conditions and continue to support market development, AECOM employed development feasibility analysis based on static pro forma models. Development feasibility analysis provides the technical means for assessing the development economics of a project and exploring how different assumptions and input factors influence development feasibility. (For a full discussion of the analysis and underlying methodology, please refer to Section 6.2.)

The pro forma analysis considered market conditions, demographic and socioeconomic trends, best practices research, and inputs from interviews with representatives from the development community. (Please refer to Section 3 for the market opportunity assessment and Section 5 for the interview summary.) Fourteen set-aside scenarios covering different mixes by income level of affordable housing set-asides were tested. Using two standards for feasibility for reduction in project value that could potentially be absorbed by developers without adversely affecting overall production, the analysis found that 5 of the 14 tested set-aside scenarios met both.

Based on this analysis, AECOM recommends an inclusionary housing program for GPAs 50 units or greater with the following parameters. (See Section 7.2 for a full discussion of program recommendations.)

- A pre-defined minimum affordable housing set-aside (per Option 2) of 10% Low Income (calculated at 70% AMI) + 5% Moderate Income (calculated at 110% AMI); or 5% Very Low Income (calculated at 50% AMI) + 5% Low Income (calculated at 70% AMI).
- Affordable units covenanted for 55 years or longer.
- Flexible compliance options that may be used instead of or in combination with on-site affordable housing development, including in-lieu fees, off-site development, land donations, and rehabilitation of existing projects for affordable housing. To avoid unintended consequences, the

options must be further calibrated so they are equal in cost and/or provide an equivalent number of acceptable-quality units as required by the base compliance requirement. In addition, the County may wish to define the off-site location requirements to comply with County-wide strategies for promoting compact development near transit and employment centers.

## 2. Overview and Organization of the Report

In April 2018 the San Diego County Board of Supervisors directed County staff to investigate options to accelerate home construction in the unincorporated county and promote housing affordability through incentive programs and reduction in regulations. The directive led to the *Report on Options to Improve Housing Affordability*, submitted in October 2018. The report identified 19 actions in five categories to address housing needs.

AECOM was retained by San Diego County Planning & Development Services (PDS) to conduct analysis for three actions identified in the *Report on Options to Improve Housing Affordability* that explore strategies for encouraging production of housing for low-income and middle-income households:

1. PI-1: Density Bonus Program/Option 2: Prepare Middle-Income Density Bonus Program.
2. PI-2: Affordable and Inclusionary Housing Programs/Option 1: General Plan Amendment Affordable Housing Program
3. PI-2: Affordable and Inclusionary Housing Programs/Option 2: GPA Inclusionary Housing Ordinance

The goal of PI-1/Option 2 is to evaluate the impacts and opportunities associated with creating a **Middle-Income Density Bonus** program that expands the existing density bonus program to include a tier for qualifying middle-income households.

The goal of PI-2/Option 1 and PI-2/Option 2 is to prepare economic analysis and recommendations of an **Inclusionary Housing Ordinance or Program applicable to General Plan Amendment projects**. For PI-2/Option 1, project compliance with the inclusionary requirement is determined through a discretionary process; for PI-2/Option 2, compliance is mandated through a pre-defined number of units to be set aside on site as affordable. Both PI-2/Option 1 and PI-2/Option 2 include alternative options to on-site affordable housing development for compliance. In addition, both PI-2/Option 1 and PI-2/Option 2 implement General plan Housing Element Policy H-1.9: Affordable Housing through General Plan Amendments, which states: "Require developers to provide an affordable housing component when requesting a General Plan amendment for a large-scale residential project when this is legally permissible." "Large" projects are considered those with 50 or more units.

The following report contains AECOM's findings and recommendations from this analysis. The report is organized in the following six sections

1. **Market Assessment:** An evaluation of the socio-economic trends and residential supply and demand factors that make up the market context for housing production in the unincorporated county area.
2. **Best Practices Literature Review:** A case- and literature-based review of best practices for the design of inclusionary housing and middle-income housing programs; includes an assessment of program implementations at peer jurisdictions.
3. **Interviews:** A summary of findings from telephone interviews with residential land use professionals including developers, brokers, industry association professionals, and affordable housing specialists.
4. **Economic Analysis:** Technical evaluation of the impacts of several potential inclusionary housing and middle-income density bonus policies—developed from findings from the market assessment, best practices review, and stakeholder interviews—on development feasibility and housing production.
5. **Recommendations:** Proposed policy concepts for inclusionary housing and middle-income housing production for consideration by the Board of Supervisors.
6. **Appendix:** Backing bibliography and technical analysis used in preparation of the report and findings.

## 3. Market Assessment

### 3.1 Overview

The purpose of the memorandum is to conduct a high-level analysis of socio-economic characteristics and residential market conditions in the unincorporated county area to serve as a foundation for programs that encourage production of affordable and middle-income housing. To the extent possible, the analysis will draw upon existing housing policy documents such as the California Department of Housing and Community Development State Income Limits for 2020, SANDAG Regional Housing Needs Assessment (6th Housing Element Cycle), and the County of San Diego's Options to Improve Housing Affordability in the unincorporated area. Memorandum findings are intended to inform program options to the County and to guide analysis and program development going forward.

### 3.2 Demographic and Socioeconomic Trends

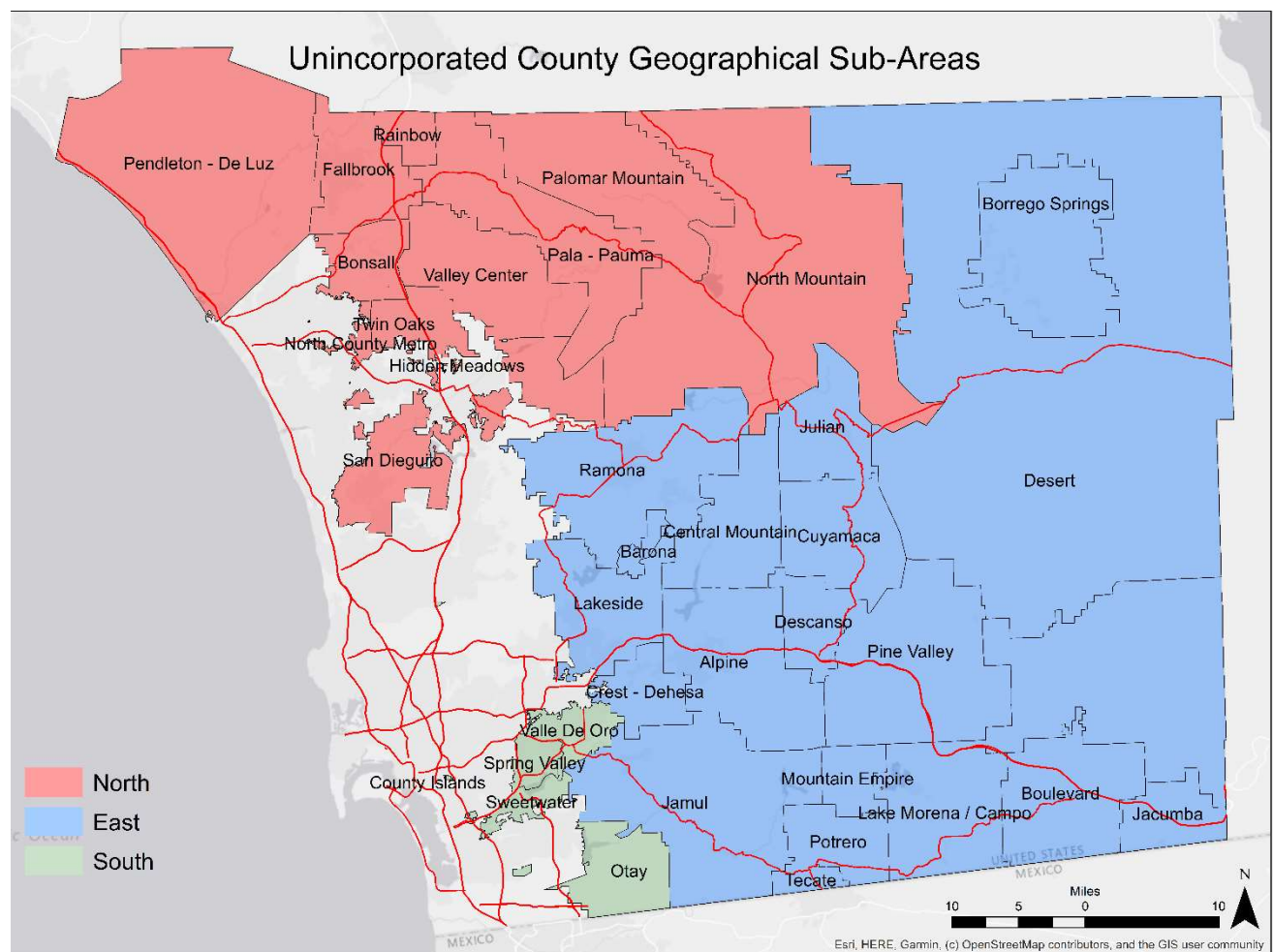
The assessment of demographic and socioeconomic trends in unincorporated San Diego County is intended to provide data for understanding residential demand and affordability tiers for new residential development.

#### 3.2.1 Geographic Sub-Areas

The unincorporated area occupies a large proportion of total County area and features many submarkets with unique residential economic conditions. In order to align the analysis and program recommendations with market nuances, AECOM divided the unincorporated area into three sub-areas, which correspond to political, geographical, and market boundaries. They are the East sub-area, the North sub-area, and the South sub-area and are shown in Figure 1. Together, the three sub-areas comprise the entire unincorporated county area. For the remainder of this document, the total county area inclusive of both unincorporated and incorporated areas is referred to as the "County" or "San Diego County" whereas the unincorporated area is referred to either by sub-area ("East," "North," or "South"), as the "unincorporated area," or as the "unincorporated county." The three sub-areas are further described below.

- **The East sub-area** consists of the Community Planning Areas and sub-regional planning areas of Alpine, Borrego Springs, Central Mountain, Crest-Dehesa, Desert, Jamul-Dulzura, Lakeside, and Mountain Empire. The East is the largest and the most rural of the sub-areas with boundaries that extend from the incorporated cities of San Diego, Poway, Santee, and El Cajon in the west to the county boundary in the East. Geographical features include several county and state parks, national forests, mountain/desert reserves, and a large share of county lands zoned for agricultural uses. The East sub-area includes both integrated urban and suburban communities like Lakeside and remote villages such as Jacumba and Borrego Springs.
- **The North sub-area** consists of the Community Planning Areas and sub-regional planning areas of Bonsall, Fallbrook, North County Metro, North Mountain-Palomar, Pala-Pauma, Pendleton-DeLuz, Rainbow, and Valley Center. The sub-area occupies an area adjacent the incorporated coastal cities of San Clemente, Oceanside, Carlsbad and Encinitas and extends inland along the northern boundary of the county. While the north sub-area contains mountainous and rural areas, most recent development has clustered in the west and along the 15 Freeway, which connects the North sub-area to the City of San Diego and several north County employment centers (rated as tier 2 employment centers by SANDAG).
- **The South sub-area**, which includes the county islands, Otay, Spring Valley, and Sweetwater Community Planning Areas, is the smallest and most densely populated of the three sub-areas. It is located just east of the incorporated cities of Chula Vista, National City, Lemon Grove, and La Mesa. The South sub-area is well integrated into the urban fabric of greater San Diego and close to major employment centers (SANDAG tier 1 and tier 2 ratings). The South sub-area contains more high-density land use designations than the other sub-areas.

**Figure 1: Geographical Sub-Area Map**



Source: ESRI, AECOM

### 3.2.2 Population, Household, and Employment Growth and Forecast

Population, household, and employment growth trends and forecasts provide the basis for understanding residential demand in the unincorporated area and sub-areas.

**Table 1: Population, Household, and Employment Growth by Sub-Area 2010-2020**

	Unincorporated Area				Total County
	North	East	South	Total	
<b>Population</b>	211,800	173,842	130,577	516,219	3,318,089
% Unincorporated County	41%	34%	25%	100%	NA
% County	6%	5%	4%	16%	100%
Growth 2010-2020	18,657	8,678	4,517	31,852	219,971
% Growth 2010-2020	10%	5%	4%	7%	7%
CAGR <sup>1</sup> 2010-2020	0.93%	0.51%	0.35%	0.64%	0.69%
<b>Households</b>	65,673	62,139	40,631	168,443	1,160,027
% Unincorporated County	39%	37%	24%	100%	NA
% County	6%	5%	4%	15%	100%
Growth 2010-2020	4,918	3,077	1,083	9,078	73,175
% Growth 2010-2020	8%	5%	3%	6%	7%
CAGR <sup>1</sup> 2010-2020	0.78%	0.51%	0.27%	0.56%	0.65%
<b>Employment</b>	52,834	45,767	20,840	119,441	1,542,517
% Unincorporated County	44%	38%	17%	100%	NA
% County	3.4%	3.0%	1.4%	7.7%	100%
Growth 2010-2020	12,211	12,953	9,151	34,315	405,162
% Growth 2010-2020	30%	39%	78%	40%	36%
CAGR <sup>1</sup> 2010-2020	2.66%	3.38%	5.95%	3.44%	3.09%
<i>Employment/Household Ratio</i>	<i>0.80</i>	<i>0.74</i>	<i>0.51</i>	<i>0.71</i>	<i>1.33</i>
(1) Compound Annual Growth Rate (CAGR)					
Source: US Census Bureau, ESRI, AECOM					

- Population in the unincorporated area totals approximately 516,000 and contributes 16 percent to the County total. The largest sub-area is the North with 212,000, followed by the East with 174,000 and the South with 131,000.
- The unincorporated area population grew by 7 percent between 2010 and 2020, which is equivalent to the County growth rate. Among sub-areas, the North grew the fastest, increasing population by 10 percent while the East and South sub-areas lagged the County rate at 5 and 4 percent respectively.
- Households in the unincorporated area contribute 15 percent to the County's total. Between 2010 and 2020, unincorporated area households increased by 6 percent, which is slightly behind the County rate of 7 percent. The faster rate of population over household growth in the unincorporated area suggests that household size in the new units is greater than the historical average.
- The unincorporated area contributes 7.7 percent of County employment, which is significantly lower than population and household contributions. This indicates the unincorporated area largely serves as a bedroom community that exports workers to job centers outside the unincorporated area. The Employment/Household ratio in the unincorporated area of 0.71, compared to the County rate of 1.33, further reinforces this point.
- Among sub-areas, the North has both the highest total employment and highest employment/household ratio. On the other end of the spectrum is the South area with the both the lowest employment and lowest employment/household ratio.
- Employment growth of 40 percent in the unincorporated area between 2010 and 2020 exceeded the County rate of 36 percent. The generally high employment growth throughout the County that occurred in this period reflects the economic rebound from the Great Recession of 2008-2010.



**Table 2: Population, Household, and Employment Forecast 2020-2050**

	2020	2035	2050	CAGR <sup>2</sup> 2020-35	CAGR <sup>2</sup> 2035-50
<b>North</b>					
Population	224,588	256,385	264,638	0.9%	0.2%
Occupied Housing Units	69,362	80,273	83,205	1.0%	0.2%
Employment <sup>1</sup>	61,382	65,780	71,664	0.5%	0.6%
<b>East</b>					
Population	184,749	218,377	232,846	1.1%	0.4%
Occupied Housing Units	64,476	76,090	81,354	1.1%	0.4%
Employment <sup>1</sup>	44,353	49,277	55,646	0.7%	0.8%
<b>South</b>					
Population	135,592	144,355	151,271	0.4%	0.3%
Occupied Housing Units	40,224	43,000	45,382	0.4%	0.4%
Employment <sup>1</sup>	25,961	29,564	37,191	0.9%	1.5%
<b>Total Unincorporated Area</b>					
Population	544,929	619,117	648,755	0.9%	0.3%
Occupied Housing Units	174,062	199,363	209,941	0.9%	0.3%
Employment <sup>1</sup>	131,696	144,621	164,501	0.6%	0.9%
<b>San Diego County</b>					
Population	3,435,713	3,853,698	4,068,759	0.8%	0.4%
Occupied Housing Units	1,178,091	1,326,445	1,407,869	0.8%	0.4%
Employment <sup>1</sup>	1,520,180	1,665,994	1,807,461	0.6%	0.5%
(1) SANDAG Total Civilian Jobs					
(2) Compound Annual Growth Rate					
Source: SANDAG Forecast Series 13, AECOM					

- SANDAG forecasts expect the unincorporated area to grow more quickly than the County between 2020 and 2035. At the sub-area level, the East is expected to grow the most quickly, and the South, which is the smallest and most built-out sub-area, the slowest.<sup>3</sup>
- Employment growth forecasts indicate that the unincorporated area will largely track the County's growth rate. Among sub-areas, employment growth in the South and East is expected to exceed that of the County, while the North will lag.

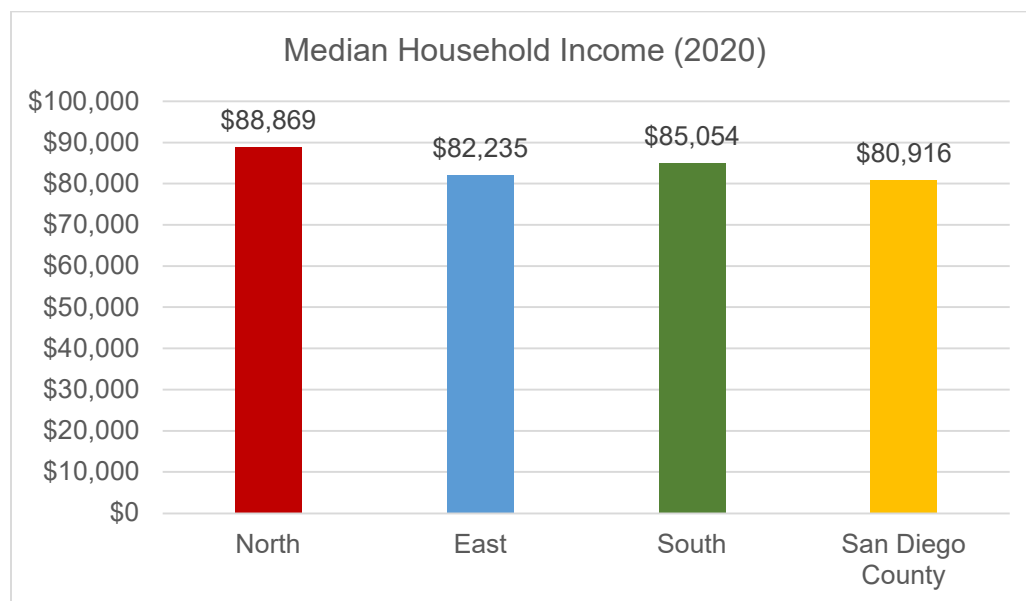
### 3.2.3 Socio-Economic Indicators

Socio-economic trends that inform housing demand, such as household income, household size, housing tenure, and measures of household residential cost burden, provide context for understanding the nature of residential demand throughout the unincorporated county area and within sub-areas.

<sup>3</sup> Projected future growth comes from SANDAG's Regional Growth Forecasts, which rely on the interaction of four models: (1) Demographic and Economic Forecasting Model, (2) Interregional Commute Model, (3) Urban Development Model, and (4) the Transportation Forecasting Model. The growth forecasts indicate that the areas in the east of the unincorporated County are likely to grow faster than those of the north and south because of current trends in employment and housing growth, land use designations, and transportation patterns.



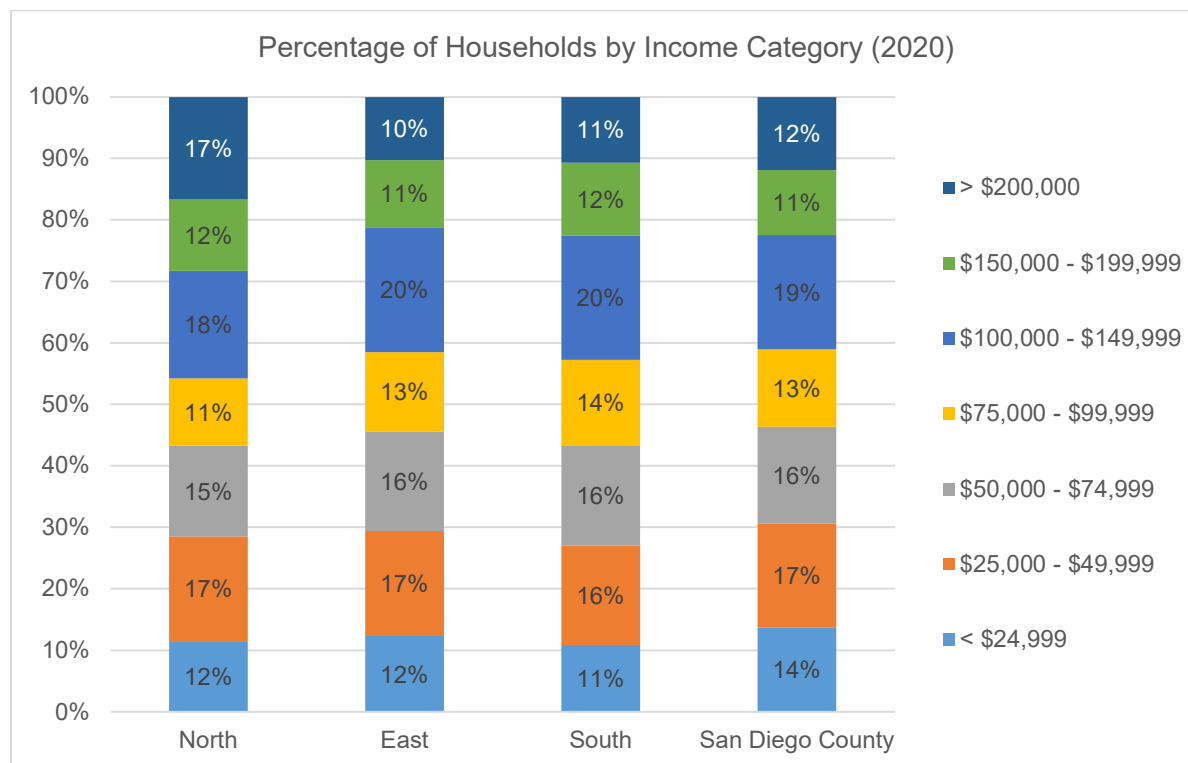
**Figure 2: Median Household Income (All Households) by Sub-Area**



Note: County median income is a different measure than Area Median Income (AMI), which is referenced in Table 10. Median income is derived from a base of all households in the County regardless of household size, while AMI, a measure prepared by HUD for use in gauging household eligibility for affordable housing, is based on a four-person household. For 2020, the AMI in the San Diego-Carlsbad Metropolitan Statistical Area (MSA) for a family of four is \$92,700.

Source: ESRI

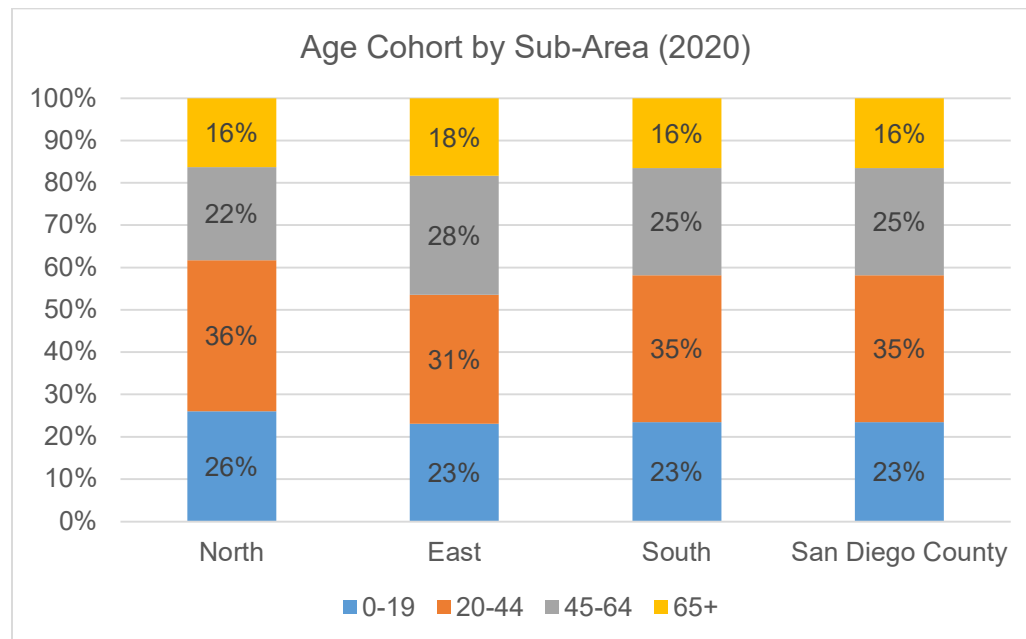
**Figure 3: Distribution of Median Household Income by Sub-Area**



Source: ESRI, AECOM

- Each sub-area in the unincorporated county has a higher average median income than the County as a whole.
- The North sub-area has a significantly higher proportion of households in the highest measured household income bracket than either the East or South sub-areas or the County as a whole.
- The East and South sub-areas have household income distributions that are generally consistent with County-wide averages.

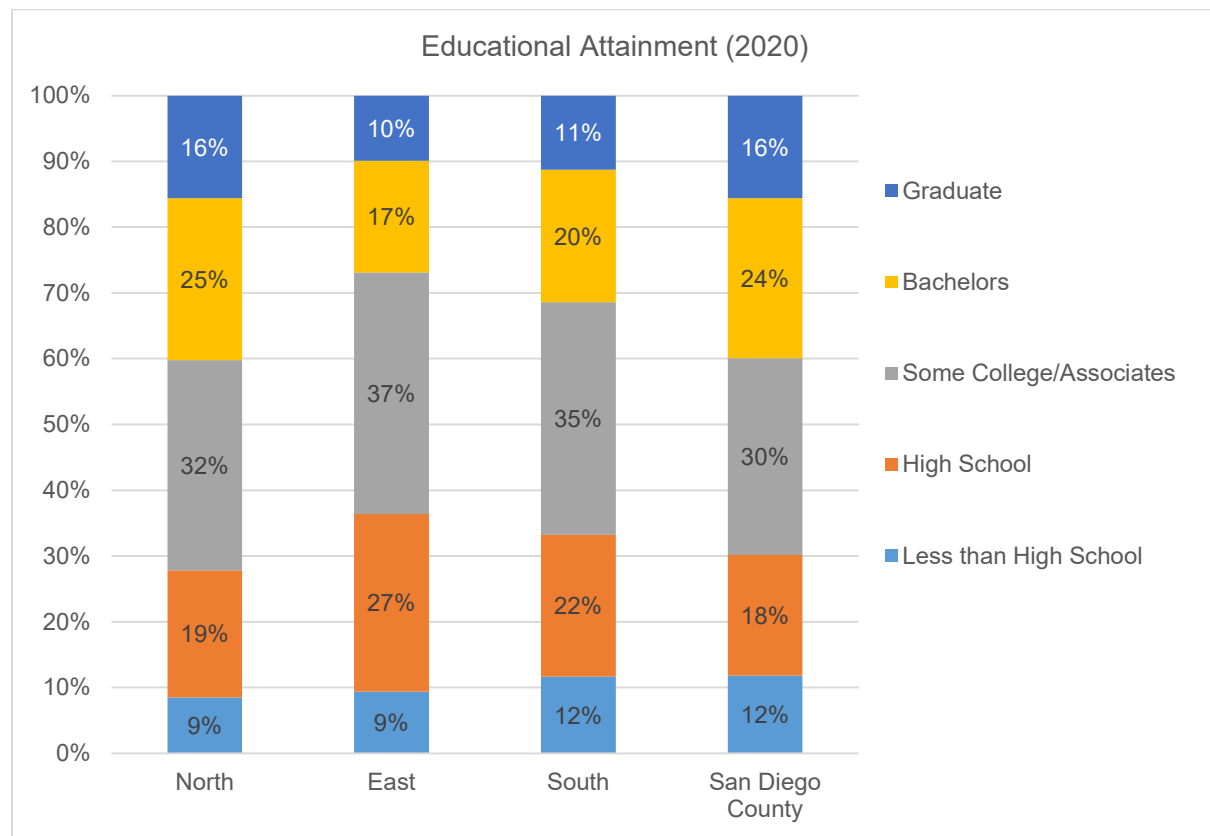
**Figure 4: Age Cohort by Sub-Area**



Source: ESRI, AECOM

- With a median age of 34 years, the North sub-area is the youngest in the set, followed by the South at 38 and the East at 42.
- Distribution by age cohort in the North indicates that 62 percent of the population is aged 44 or younger, compared to 54 percent in the East, and 58 percent in the South and in the County as a whole.
- In the East sub-area, 46 percent of the population is 45 and older, compared to 38 percent in the North, and 42 percent in the south and County as a whole.
- The overall age distribution in the South sub-area is consistent with the County-wide pattern.

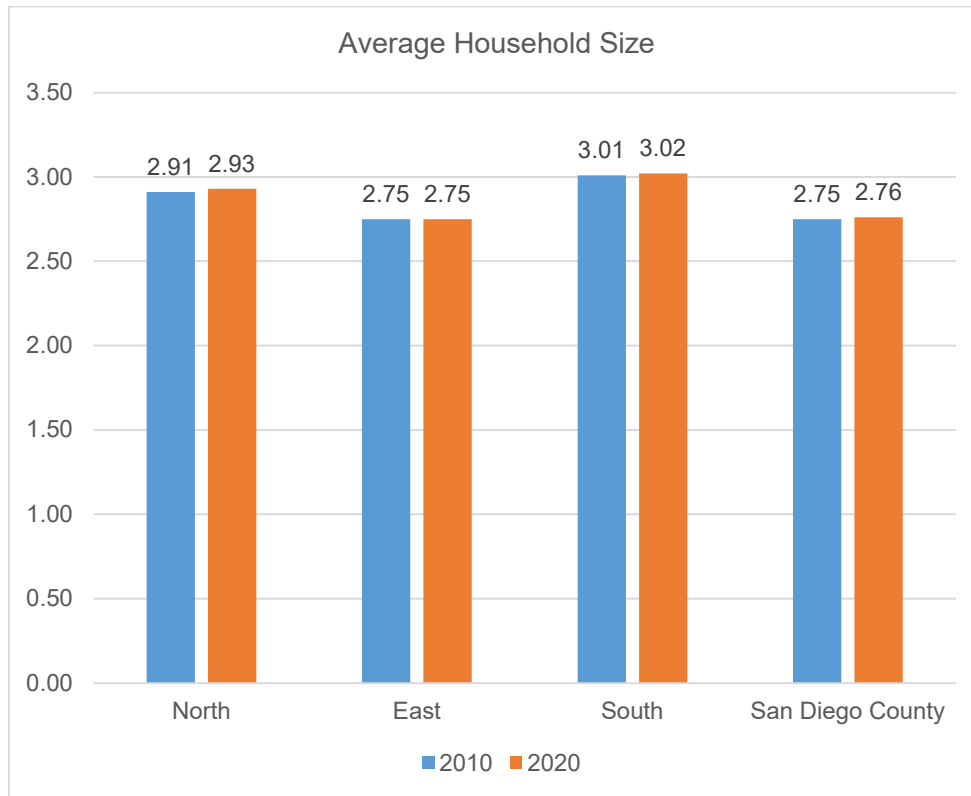
**Figure 5: Educational Attainment by Sub-Area**



Source: ESRI

- The North sub-area has educational attainment levels that are generally consistent with the County's.
- In the East and South unincorporated county sub-areas, educational attainment is lower than in either the North or County as a whole, as measured by the proportion of residents with graduate and bachelors degrees.
- The North and East sub-areas have the lowest population share with less than high school education.

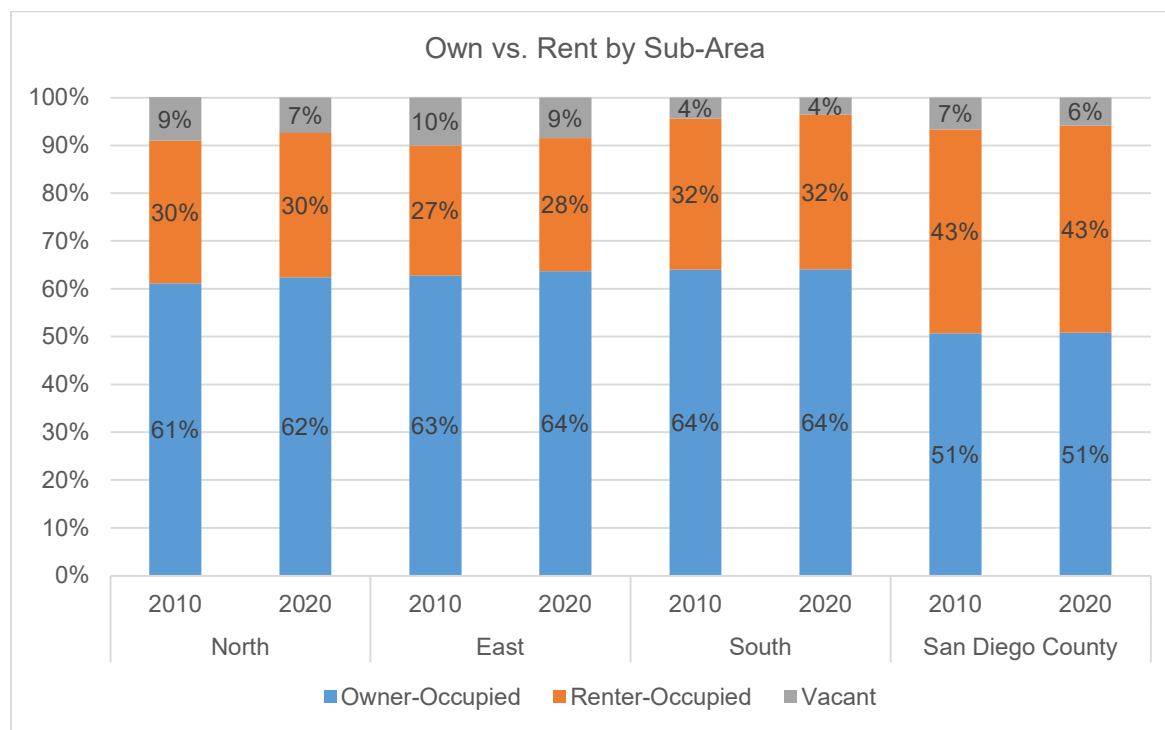
**Figure 6: Average Household Size by Sub-Area**



Source: ESRI

- Household size measures indicate that the North and South sub-areas slightly exceed the County average.
- In all sub-areas, household size measures have remained essentially unchanged since 2010, which suggests housing growth has kept pace with population growth.

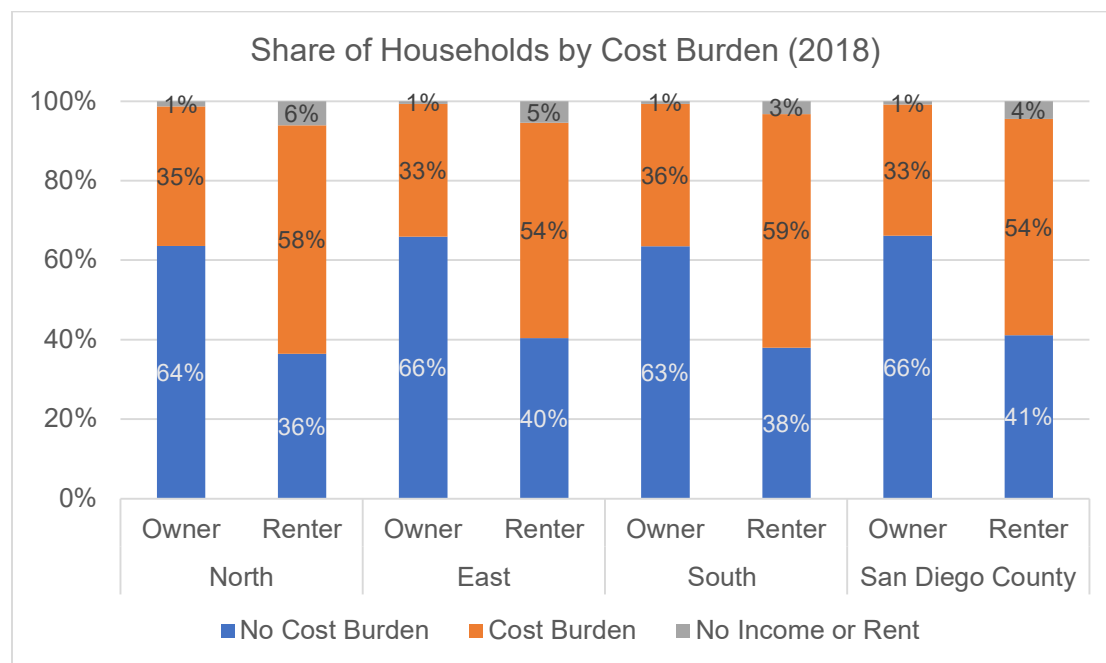
**Figure 7: Own vs. Rent by Sub-Area**



Source: US Census Bureau, ESRI, AECOM

- Census measures indicate that in the unincorporated County area residents are more likely to be homeowners than in the County as a whole.
- The South and East sub-areas have the highest average ownership level of 64 percent, trailed slightly by the North sub-area at 62 percent.
- The marginal change in ownership share between 2010 and 2020 across the region indicates that patterns have not changed and that the increase in share of renter households observed elsewhere in California has not occurred in San Diego County.

**Figure 8: Residential Cost Burden by Sub-Area**



Source: US Census ACS 5-Year Estimate (2018)

- A cost-burdened household is defined by the Census as one where housing costs take up 30 percent or more of household income.
- Throughout the County, homeowners experience less residential cost burden than renters. There is little variance in cost burden for homeowners between unincorporated County sub-areas and the County as a whole, with between 33 percent and 36 percent of households experiencing it.
- Renters throughout the County area and sub-areas experience a very high degree of cost burden, with between 54 percent and 58 percent of households in this category.
- On a sub-area level, the residential cost burden is highest by a small amount in the South sub-area, which has the highest levels of cost burden for both renters (59 percent) and owners (36 percent).

### 3.3 Residential Supply Characteristics

This task documents historical and pipeline trends in residential supply production to obtain insight into current and future market-supported residential uses in the unincorporated area. While it is understood that some of this data may be used to support the RHNA and housing update processes, the analysis focuses on measures that directly support development of program criteria.

#### 3.3.1 Housing Inventory

**Table 3: Housing Inventory and General Plan Capacity**

	2020 Inventory		General Plan Capacity			Inventory Growth 2011-2020		
	Units	Share of Total	Total Capacity	Remaining Capacity	Remaining % of Total	Units	CAGR	Share of Capacity
North	70,831	40%	99,284	28,453	29%	3,442	0.56%	3%
East	66,203	37%	93,848	27,645	29%	1,824	0.31%	2%
South	42,122	24%	49,616	7,494	15%	536	0.14%	1%
<b>Total Uninc. Area</b>	<b>179,156</b>	<b>100%</b>	<b>242,748</b>	<b>63,592</b>	<b>26%</b>	<b>5,802</b>	<b>0.37%</b>	<b>3%</b>

Source: County of San Diego Planning and Development Services, AECOM

- According to PDS, the unincorporated area has approximately 179,000 residential units. Of these, the North sub-area contributes 40 percent, the East sub-area 37 percent, and the South 24 percent.
- The County General Plan has capacity for approximately 243,000 residential units. As of 2020, there is capacity remaining for approximately 64,000 units, equivalent to 26 percent of the General Plan target.
- At the sub-area level, the North and East sub-areas both have 29 percent of General Plan capacity remaining. The South, which is more built-out, has 15 percent remaining.
- If residential unit growth rates between 2011 and 2020 are held constant, it will take 74 years for the North sub-area to reach capacity, 136 years of the East sub-area, and 126 years for the South sub-area.

**Table 4: Housing Inventory Mix by Unincorporated County Sub-Area and Type (2018)**

	Single Family Detached	Single Family Attached	Multifamily	Mobile Home	Total
<b>North</b>					
Share of North	74%	12%	9%	5%	100%
Share of Unincorporated Area	40%	62%	26%	25%	39%
<b>East</b>					
Share of East	71%	3%	14%	12%	100%
Share of Unincorporated Area	37%	17%	38%	62%	37%
<b>South</b>					
Share of South	68%	7%	21%	4%	100%
Share of Unincorporated Area	23%	21%	36%	13%	24%
<b>Total Unincorporated Area</b>					
Share of Unincorporated Area	72%	7%	14%	7%	100%

Source: SANDAG, AECOM

- According to SANDAG, unit type in the unincorporated area is strongly weighted towards Single Family Detached, which contributes 72 percent of the total. In the sub-areas, single family detached homes make up 74 percent in the North sub-area, 71 percent share in the East, and 68 percent share in the South.
- The second-largest residential category is Multifamily, which makes up 14 percent of total unincorporated area inventory. The East and South sub-areas contribute most to unincorporated area inventory with 38 percent and 36 percent of the total respectively.
- Mobile Homes are the smallest category with the greatest concentration in the East sub-area. The East sub-area contributes 62 percent of all mobile homes in the unincorporated area inventory.

**Table 5: County-Managed Affordable Housing Inventory**

	North Sub-Area			East Sub-Area			South Sub-Area			Total Uninc. Area	
	#	Sub-Area Share	Uninc. Area Share	#	Sub-Area Share	Uninc. Area Share	#	Sub-Area Share	Uninc. Area Share	#	Sub-Area Share
<b>Projects</b>	18	100%	50%	7	100%	8%	11	100%	12%	36	100%
<b>Affordable Units</b>											
<50% AMI	171	49%	37%	206	60%	45%	80	20%	18%	457	41%
50%-80% AMI	178	51%	32%	140	40%	25%	246	60%	44%	564	51%
80%-120% AMI	0	0%	0%	0	0%	0%	0	0%	0%	0	0%
Other <sup>1</sup>	0	0%	0%	0	0%	0%	57	14%	100%	57	5%
<b>Total</b>	349	100%	32%	346	100%	31%	407	100%	37%	1,102	100%
<b>Market Rate Units</b>	75			21			247			343	
Share/Project	18%			6%			38%			24%	
<b>Total Units</b>	424	100%	29%	367	100%	25%	654	100%	45%	1,445	100%
Units/Project	24			52			59			40	
(1) Includes units for elderly, homeless, supportive housing, and veterans											
Source: San Diego County Housing and Community Development Services, AECOM											

- Based on data from San Diego Housing and Community Development Services, the unincorporated area has 1,102 affordable units under County management. Of these, 37 percent are in the South sub-area, 32 percent in the North sub-area, and 31 percent in the East sub-area. These concentrations are in inverse rank of total housing inventory, which is highest in the North, followed in order by the East and South.
- Affordable units in the unincorporated area are distributed over 36 developments, which include a mix of all-affordable developments and developments mixing market-rate and affordable units. On average, these developments include 24 percent market-rate units.
- Average development size is 40 units in the unincorporated area, with developments in the South averaging 59 units, developments in the East averaging 52 units, and developments in the North averaging 24 units.
- There are 457 units set aside for households with Very Low income (at <50% of AMI), which makes up 41 percent of all affordable units. Of these, 45 percent are the East sub-area, 37 percent in the North, and 18 percent are in the South.
- There are 564 units set aside for households with Low income (at between 50% and 80% of AMI), which makes up 51 percent of all affordable units. Of these, 44 percent are the South sub-area, 32 percent in the North, and 25 percent are in the East.
- There are 57 affordable units set aside for other at-need groups ("Other" on the table), including elderly housing and housing specialized for the homeless and with supportive services. These units make up 5 percent of the affordable mix in the unincorporated area. All units in this category are located in the South sub-area.
- As of 2020, there were no units set aside for households earning between 80 percent and 120 percent of AMI, a category typically called "moderate" income but also sometimes referred to as "workforce" and "middle" income.



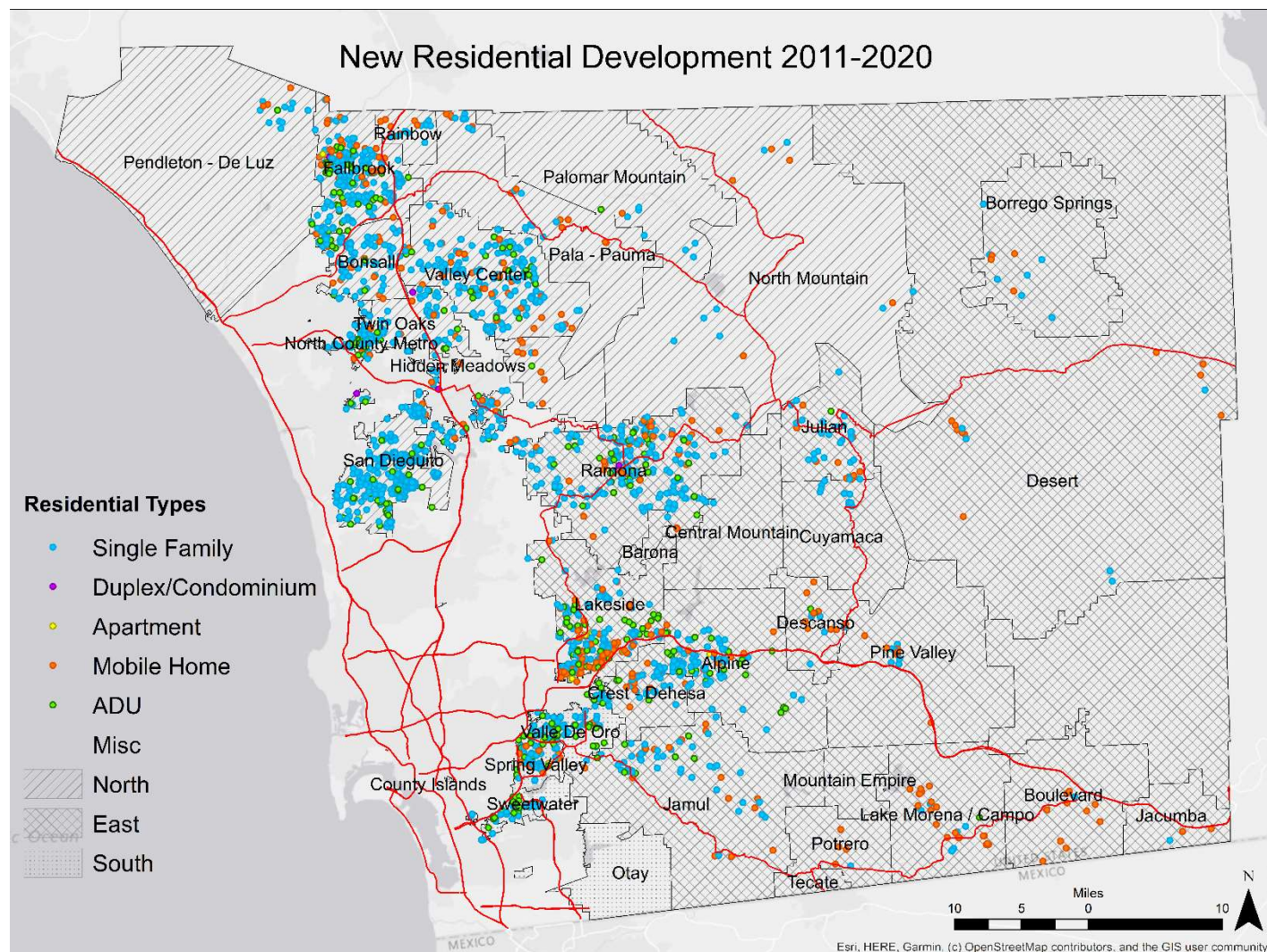
**Table 6: Residential Development 2011-2020 by Type and Sub-Area**

	North		East		South		Total Unincorporated County	
	Units	% Total	Units	% Total	Units	% Total	Units	% Total
Single Family Detached	2,630	81%	971	53%	160	37%	3,761	68%
Duplex/Condominium	133	4%	90	5%	40	9%	263	5%
Apartment	60	2%	135	7%	92	21%	287	5%
Mobile Home	233	7%	443	24%	50	11%	726	13%
ADU/Guesthouse <sup>1</sup>	135	4%	124	7%	48	11%	307	6%
Miscellaneous <sup>2</sup>	65	2%	64	4%	47	11%	176	3%
<b>Total Dwelling Units</b>	<b>3,256</b>	<b>100%</b>	<b>1,827</b>	<b>100%</b>	<b>437</b>	<b>100%</b>	<b>5,520</b>	<b>100%</b>
<i>Total Inventory Growth</i>	<i>4.8%</i>		<i>2.8%</i>		<i>1.0%</i>		<i>3.2%</i>	
(1) Category will be reorganized in the future to remove reference to guesthouses, which are no longer counted as housing units by the County, and to add Junior ADUs as a separate category								
(2) Includes multiple building permit types where completed dwelling units were recorded, including: lodges, fraternity and sorority houses, hotels, motels, tourist cabins, and pool houses								
Source: San Diego County Building Permits Data, AECOM								

- According to County Permits Data<sup>4</sup>, from 2011 to 2020, unit inventory in the unincorporated area grew approximately 3.2 percent. The North sub-area grew fastest, increasing inventory by 4.8 percent while the South grew slowest, adding only 1 percent. At 2.8 percent growth, the East sub-area grew more slowly than the unincorporated area as a whole.
- Approximately 68 percent of inventory growth between 2011 and 2020 was in the Single Family Detached category. Attached housing (Duplexes/Condominium plus Apartments) contributed 10 percent of growth, while Mobile Homes added 13 percent.
- Broken out by sub-area, the North sub-area overwhelmingly added Single Family Detached units with 81 percent of total growth in this category. The East sub-area, notably, added a large number of mobile homes, which contributed 24 percent of all growth in the area. The South sub-area saw the most balanced mixed of residential growth, with the highest contributions in the Duplex/Condominium, Apartment, ADU/Guesthouse, and Miscellaneous categories.

<sup>4</sup> Note: figures for total residential unit growth between 2011 and 2020 in the unincorporated area differ slightly by data source, with figures from Permits Data shown in Table 6 close to but slightly lower than figures from PDS shown in Table 3.

**Figure 9: New Development 2011-2020 by Type and Sub-Area**



Source: San Diego County Building Permits, AECOM

- The distribution of new housing development in the unincorporated area indicates clustering at the western edge of each sub-area (excepting the area occupied by Camp Pendleton in the North). This is consistent with historical development patterns in the region where development over time radiated outward from coastal job centers.
- Development has largely followed highway rights-of-way, in particular, Interstate 15 serving the North, Interstate 8 serving the East, and CA-94 serving the South.
- Development patterns in the North sub-area are largely oriented towards employment centers in North County, including Carlsbad, Vista, and San Marcos (SANDAG tier 2 employment centers), and Sorrento Valley (SANDAG tier 1 employment center).

### 3.3.2 Residential Development Pipeline

**Table 7: County Housing Development Pipeline by Type**

	North		East		South		Total Unincorporated County	
	Units	% Total	Units	% Total	Units	% Total	Units	% Total
Single Family Detached	604	85%	155	53%	82	43%	841	70%
Duplex/Condominium	0	0%	25	9%	2	1%	27	2%
Apartment	0	0%	0	0%	48	25%	48	4%
Mobile Home	27	4%	45	15%	3	2%	75	6%
ADU	<u>80</u>	<u>11%</u>	<u>67</u>	<u>23%</u>	<u>56</u>	<u>29%</u>	<u>203</u>	<u>17%</u>
<b>Total Dwelling Units</b>	<b>711</b>	<b>100%</b>	<b>292</b>	<b>100%</b>	<b>191</b>	<b>100%</b>	<b>1,194</b>	<b>100%</b>

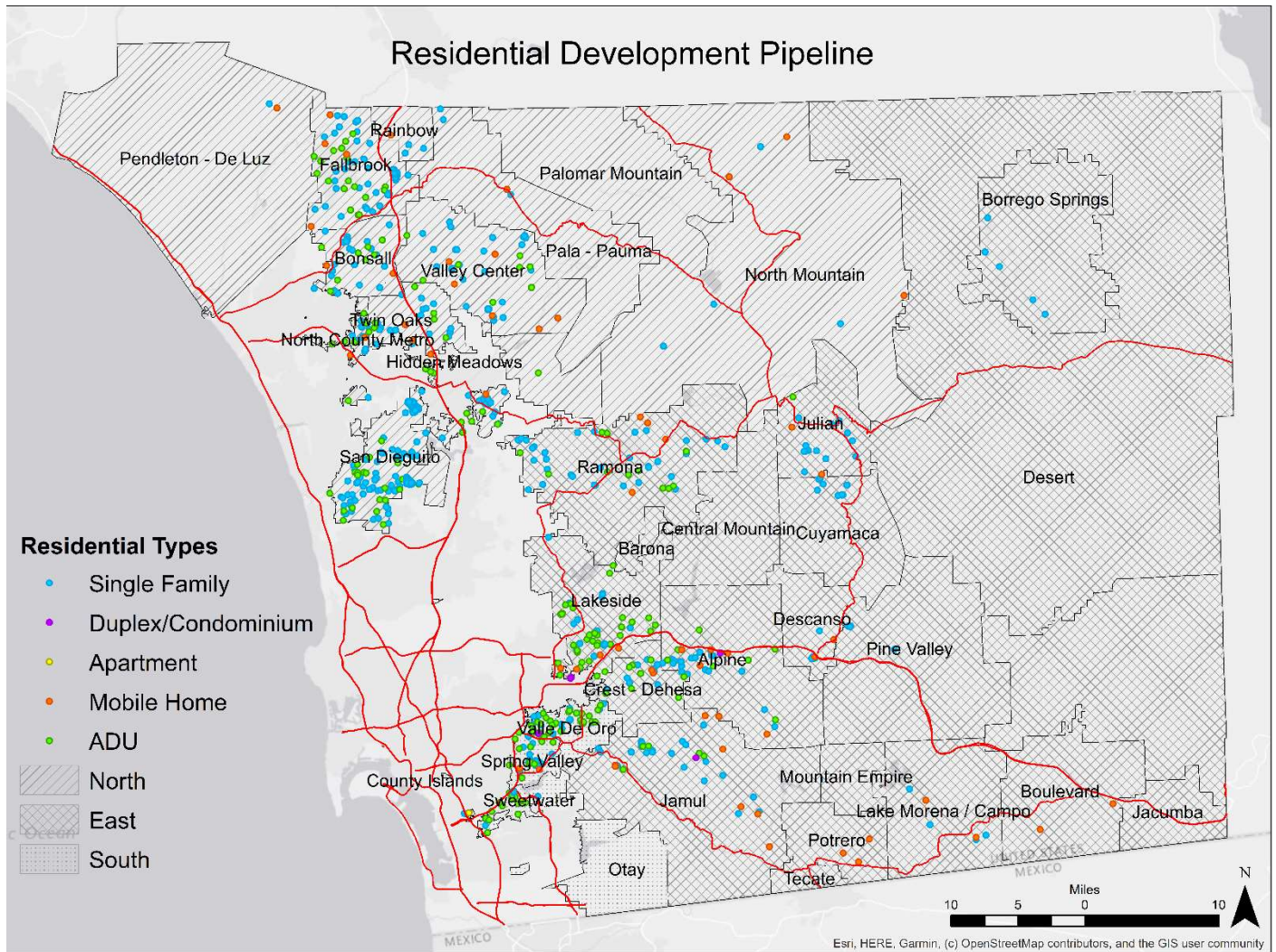
Source: San Diego County Building Permits Data, AECOM

- San Diego County Building Permits Data indicates a total of 1,194 units in the development pipeline<sup>5</sup> in the unincorporated area. If built, these will increase inventory by 0.7% percent.
- The development pipeline generally reflects development patterns from the 2011 to 2020 period. Single family detached units make up 70 percent of the total, compared to 68 percent from the earlier period. Attached housing (Duplex/condominium plus apartments) consists of 6 percent of pipeline, which is a decline from the 10 percent share from the earlier period.
- ADU/Guesthouse units, making up 17 percent of the pipeline, is the only category exhibiting significant change from the prior period, which saw 6 percent of units in this category.
- The geographical pattern of development for pipeline units continues historical development trends from 2011-2020, which saw new development concentrated in the western portion of the unincorporated sub-areas and along major freeways.

<sup>5</sup> The pipeline indicated in the table reflects only projects under construction. Adding proposed projects, projects in the middle of obtaining approvals, and approved projects that have not yet begun construction would increase the pipeline by an additional 15,500 units.



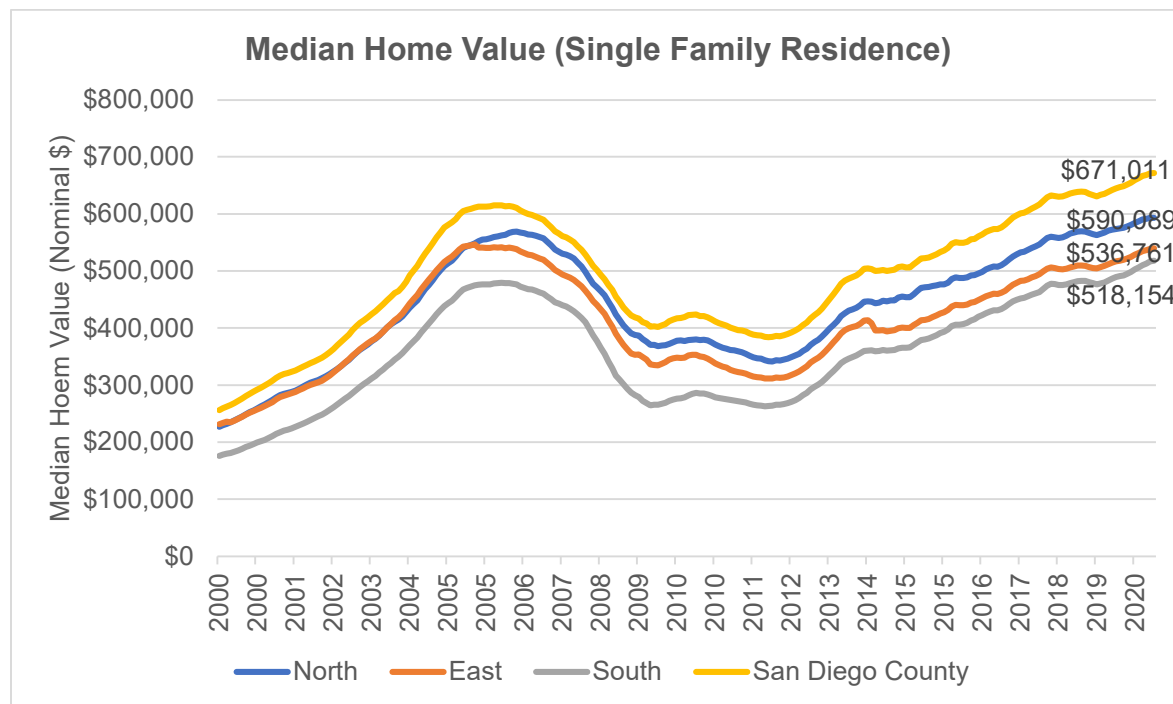
**Figure 10: County Housing Development Pipeline by Location**



Source: San Diego County Building Permits, AECOM

### 3.3.3 Home Value, Rent, and Price Trends

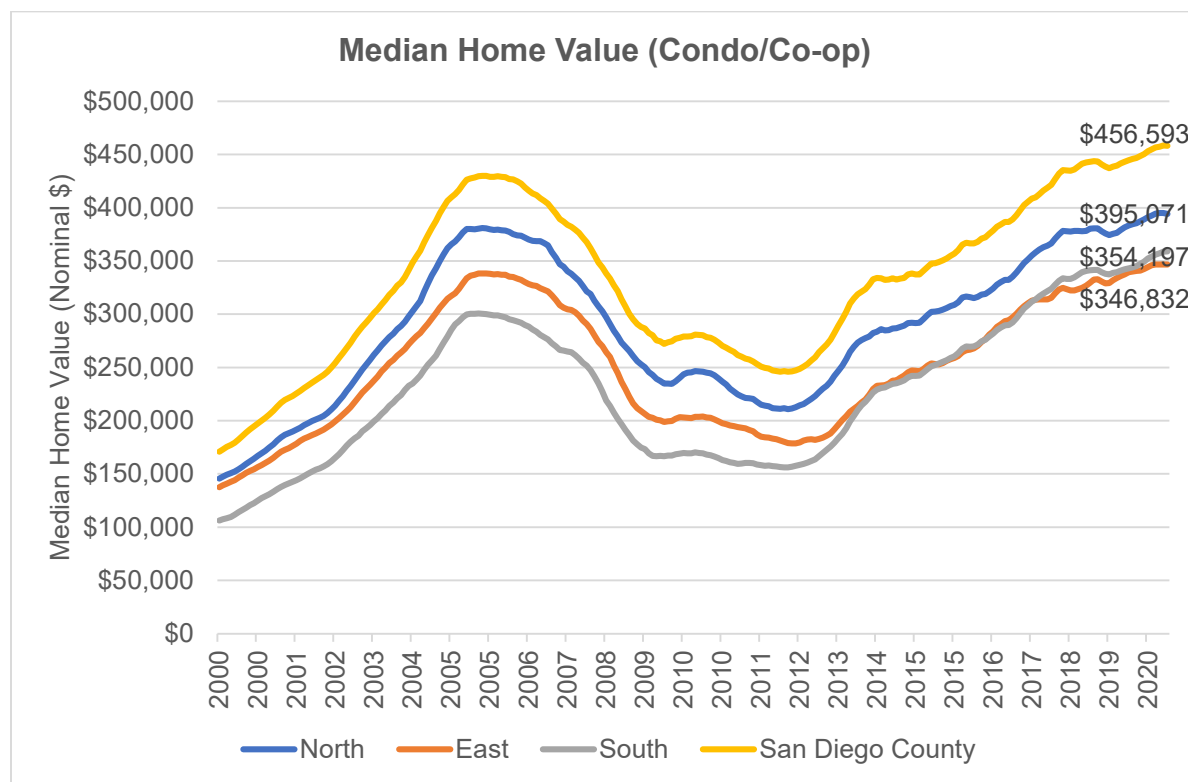
Figure 11: Single Family Median Home Value by Sub-Area, 2000-2020



Source: Zillow Research, AECOM

- The historic trendlines show that by 2017 and 2018, the effect of the Great Recession on home values had been completely overcome, and now home values exceed those from the pre-Recession peak.
- Single family home values in the County overall are more expensive than those in the unincorporated Area. This is consistent with typical patterns where home costs fall with distance from the commercial core.
- Among sub-areas, the North commands the highest home values (which are still on average lower than the County's), followed by East and South sub areas.

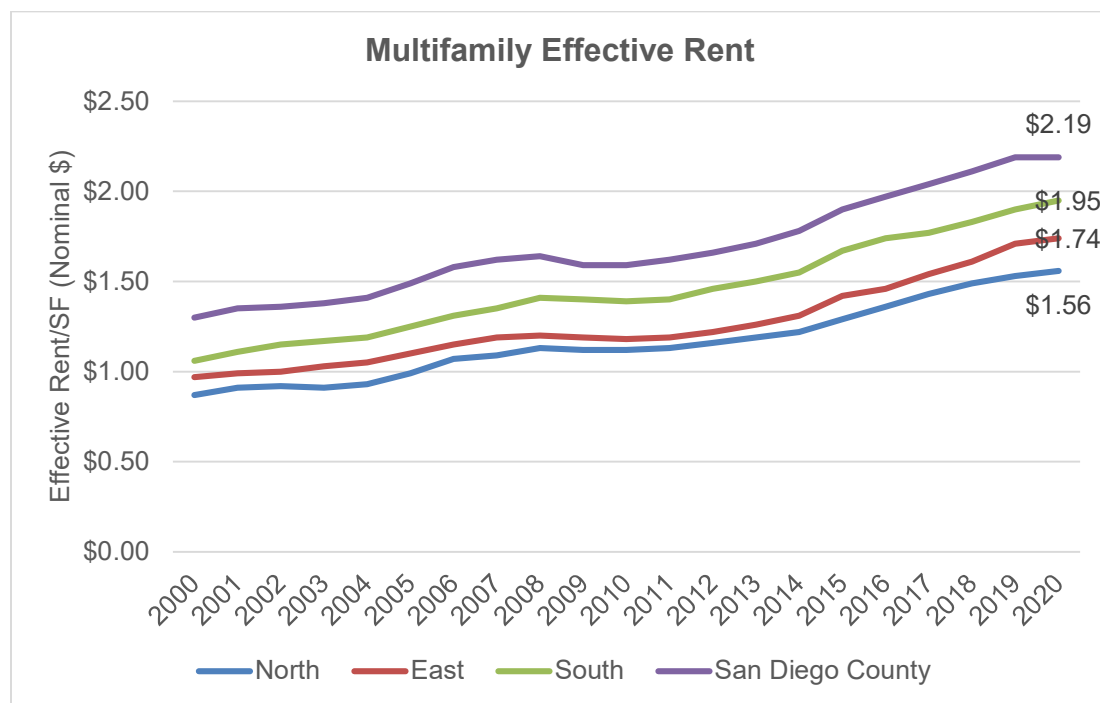
**Figure 12: Condo/Co-op Median Home Value by Sub-Area, 2000-2020**



Source: Zillow Research, AECOM

- While Condo values are lower than detached home values in the County and unincorporated area, the relative rankings are the same, with County averages higher than in the unincorporated area.
- Notably among sub-areas, East and South command nearly identical average values as the South has closed the historical value gap between them.

**Figure 13: Multifamily Effective Rent by Sub-Area, 2000-2020**



Source: Costar, AECOM

- Unlike home values, multifamily rents were not significantly depressed by the Great Recession and have exhibited a largely consistent upward growth pattern.
- Average rents in the County—as with home values—are significantly higher than in the unincorporated County.
- Higher rents in the South Area than in the East and North, a reversal of the single-family and condominium value patterns, is a reflection of the newer inventory there.

### 3.3.4 Towards a Reference Set of Residential Typologies

A review of recent residential project development in the unincorporated area provides insight into residential building typologies most likely to be supported in the future, given market trends and land use regulations. From this, a reference set of typologies can be developed for further feasibility testing and program development for inclusionary and middle-income housing programs.

**Table 8: Residential Production by Land Use Designation in Unincorporated Area, 8/10/2019-8/10/2020**

Land Use Designation	Units	Share of Total	Prototype Example
<b>By-Right Projects</b>			
Rural Lands (RL-40)	5	1%	Single-Family Detached, Large Lot
Rural Lands (RL-20)	10	2%	Single-Family Detached, Large Lot
Semi-Rural Residential (SR-10)	23	4%	Single-Family Detached, Large Lot
Semi-Rural Residential (SR-4)	28	5%	Single-Family Detached, Large Lot
Semi-Rural Residential (SR-2)	42	8%	Single-Family Detached, Large Lot
Semi-Rural Residential (SR-1)	47	9%	Single-Family Detached, Large Lot
Semi-Rural Residential (SR-0.5)	2	0%	Single-Family Detached, Large Lot
Village Residential (VR-2)	25	5%	Single-Family Detached, Large Lot
Village Residential (VR-2.9)	2	0%	Single-Family Detached, Large Lot
Village Residential (VR-4.3)	19	4%	Single-Family Detached, Medium Lot
Village Residential (VR-7.3)	12	2%	Single-Family Detached, Small Lot
Village Residential (VR-15)	5	1%	Attached Townhome
<b>Subtotal</b>	<b>220</b>	<b>42%</b>	
<b>Projects in Specific Plan Areas</b>			
Specific Plan Area: Single Family Detached	246	47%	Single-Family Detached, Large Lot
Specific Plan Area: Detached Condo	51	10%	Detached Condominium, Small Lot
Specific Plan Area: LiveWork	10	2%	Attached Townhome
<b>Subtotal</b>	<b>307</b>	<b>58%</b>	
<b>Total</b>	<b>527</b>	<b>100%</b>	

Source: San Diego County Building Permits, AECOM

- According San Diego County Building Permits data, in the twelve-month period between August 10, 2019 and August 10, 2020, 527 housing units were completed.<sup>6</sup>
- Single-family detached homes in Specific Plan<sup>7</sup> areas comprised by far the largest share of units with 47 percent of the total. These are typically master-planned communities or planned unit developments from large land developers and homebuilders. The developers here include Lennar, D R Horton, Richmond Homes, Beazer Homes, and KB Home. The next-largest category was for Detached Condominiums in Specific Plan Areas followed by single-family homes in SR-1 (Semirural Residential) areas.
- Overall, units in Specific Plan Areas contributed 58 percent of all new units.
- Units developed by-right in accordance with existing land use designations contributed 42 percent of the total.
- Notably lacking are projects at higher densities that would be permitted in the Village Residential 20, 24, and 30 DU/AC tiers. This is consistent with historical trends in the unincorporated area that show a strong market preference for detached single family homes over attached products.

### 3.4 Affordable and Middle-Income Housing Demand

This task integrates findings from the socio-economic and residential supply analyses to characterize demand for affordable and middle-income housing in the unincorporated area. The analysis builds upon work conducted separately as part of the 6th Cycle Regional Housing Needs Assessment (RHNA) and Housing Element update.

<sup>6</sup> Note: this set excludes mobile homes and ADUs.

<sup>7</sup> A Specific Plan is a planning document that implements the goals and policies of the General Plan for a defined sub-area. Specific Plans typically contain development standards and implementation measures that go beyond what the normal zoning would regulate, providing an additional layer of planning control.



California state law mandates that regions produce a Regional Housing Needs Assessment as part of a periodic process of updating local housing elements of general plans. The RHNA quantifies the need for housing within each jurisdiction and establishes goals for housing production at various income levels. In July 2020, the San Diego Association of Governments (SANDAG) approved the 6th Cycle Regional Housing Need Assessment Plan for San Diego County, which allocates residential growth for the period of 2021-2029.

**Table 9: RHNA County and Unincorporated Area Allocation 2021-2029**

	<b>Very Low (30%-50% AMI)</b>	<b>Low (50%- 80%AMI)</b>	<b>Moderate (80%-120% AMI)</b>	<b>Above Moderate (&gt;120%AMI)</b>	<b>Total</b>
<b>Unincorporated Area</b>					
Allocation	1,834	992	1,165	2,709	6,700
% Total Allocation	27%	15%	17%	40%	100%
% County	4%	4%	4%	4%	4%
<b>San Diego County</b>					
Allocation	42,332	26,627	29,734	72,992	171,685
% Total Allocation	25%	16%	17%	43%	100%
<i>Source: SANDAG RHNA Allocation 6th Cycle</i>					

- The 6th Cycle RHNA mandated by the state of California to quantify housing need and update General Plan Housing Elements, establishes housing production goals for the period of 2021-2029 for all of San Diego County and the unincorporated area.
- SANDAG adopted the RHNA Plan in July of 2020, which targets growth of 171,685 units in the County between 2021 and 2029.
- Although the unincorporated area comprises 16 percent of County population and is forecast by SANDAG to capture 16 percent of population growth between 2020 and 2035, the RHNA allocation targets the unincorporated area for only 4 percent (6,700 units) of total housing growth. This allocation, which is also lower than that allocated in the 5<sup>th</sup> cycle RHNA Allocation for the previous decade, is due to the fact that the 6th cycle Allocation was developed in compliance with the state of California's Sustainable Communities Strategy and SANDAG's Regional Plan, which explicitly encourages housing development near employment centers and transportation infrastructure (both existing and planned).<sup>8</sup> Relative to other areas of the County, the unincorporated area has a small share of both transit platforms and jobs.<sup>9</sup>
- Of the total allocation, 27 percent of units are targeted for households at the Very Low Income Tier earning between 30 and 50 percent of AMI, 15 percent for the Low Income Tier (50%-80% AMI), 17 percent to the Moderate Income tier (80%-120% AMI), and the remaining 40 percent to households with incomes above 120 percent AMI. This distribution by income category is consistent with the distribution for the County as a whole, which by comparison has a slightly lower allocation of units at Very Low Income (25% vs. 27%) and a slightly higher allocation of units at Above Moderate Income (43% vs. 40%).

<sup>8</sup> The RHNA allocation methodology is based on access to transit and jobs with an equity adjustment to encourage lower-income housing in areas of historically higher income levels.

<sup>9</sup> The unincorporated areas of the county contain zero percent of major transit stops, 1.3 percent of the SANDAG Region's Rail & Rapid Stations, and 9.3 percent of total jobs.

**Table 10: HUD/HCD Affordable Housing Income Limits**

Household Income Level	Persons in Household/ Maximum Defined Income					
	1	2	3	4	5	6
Extremely Low (<30% AMI)	\$24,300	\$27,750	\$31,200	\$34,650	\$37,450	\$40,200
Very Low (30%-50% AMI)	\$40,450	\$46,200	\$52,000	\$57,750	\$62,400	\$67,000
Low (50%-80% AMI)	\$64,700	\$73,950	\$83,200	\$92,400	\$99,800	\$107,200
Median	\$64,900	\$74,150	\$83,450	\$92,700	\$100,100	\$107,550
Moderate (80%-120% AMI)	\$77,900	\$89,000	\$100,150	\$111,250	\$120,150	\$129,050
Middle/Workforce (120%-150%) <sup>1</sup>	\$97,350	\$111,225	\$125,175	\$139,050	\$150,150	\$161,325

(1) Calculated by multiplying the median income for each household size by 1.5  
Source: HUD, HCD, AECOM

- The California Department of Housing and Community Development (HCD) updates affordable housing state income limits each year based on guidelines established by the US Department of Housing and Urban Development (HUD).
- The HUD/HCD affordable housing income limits establish the maximum household income by household size for each income tier of affordable housing. Limits are based on the AMI that applies to all jurisdictions in a county.
- The AMI for a 4-person household in 2020 is \$92,700, a 7 percent increase over 2019.<sup>10</sup>

**Table 11: Household Income by AMI Tier in the County and Unincorporated Area**

	Extremely Low (<30% AMI)	Very Low (30%-50% AMI)	Low (50%-80% AMI)	Moderate (80%-120% AMI)	Middle/Workforce (120%-150%) <sup>1</sup>	Other (>150%)	Total
<b>North</b>							
Households	10,234	9,255	11,287	4,853	5,752	24,293	65,674
% Sub Area	16%	14%	17%	7%	9%	37%	100%
<b>East</b>							
Households	10,108	8,946	11,838	5,461	6,310	19,477	62,140
% Sub Area	16%	14%	19%	9%	10%	31%	100%
<b>South</b>							
Households	5,961	5,592	7,948	3,815	4,100	13,212	40,627
% Sub Area	15%	14%	20%	9%	10%	33%	100%
<b>Total Unincorporated Area</b>							
Households	26,303	23,792	31,073	14,129	16,162	56,982	168,441
% Total	16%	14%	18%	8%	10%	34%	100%
<b>San Diego County</b>							
Households	206,407	162,796	216,293	98,923	107,827	367,758	1,160,004
% Total	18%	14%	19%	9%	9%	32%	100%

(1) Calculated by multiplying the HCD median income limit for each household size by 1.5  
Source: ESRI, HUD, HCD, AECOM

- Household income in the unincorporated area and sub-areas provides a basis for classifying households by AMI tier.<sup>11</sup> This represents an alternative approach to RHNA allocations (shown in Table 9) for classifying residential demand by affordability.
- As indicated, the distribution of AMI tiers in the unincorporated area is generally consistent with County rates overall: 16 percent of households fall in the Extremely Low tier, 14 percent in the Very Low tier, 19 percent in

<sup>10</sup> Area Median Income (AMI) here is a different measure than County median income, which is referenced in Figure 2. County median income is derived from a base of all households in the County, while AMI is tiered based household sizes, as shown in Table 10.

<sup>11</sup> AMI published by HCD is based on a four-person household, but average household size in the unincorporated area is approximately 3 (as illustrated by ESRI/Census data in Figure 6). Consequently, AECOM has adjusted income thresholds to reflect a 3-person-household standard.

the Low tier, 9 percent in the Moderate tier, 10 percent in the Middle tier, and 34 percent remaining is above the Middle tier.

- The North sub-area has the highest share of households at 150% AMI or above and the lowest percentage in the Low and Moderate income tiers.
- Comparing these outputs to the outputs from the RHNA AMI tier allocations shows consistency between approaches.

**Table 12: Allocation of RHNA Target by Sub-Area by Affordable Housing AMI Tier**

		Very Low (<50% AMI)	Low (50-80% AMI)	Moderate (80-120% AMI)	Middle (120-150% AMI)	Other (>150% AMI)	Total <sup>3</sup>
	AMI Allocation <sup>1</sup>						
	Share of Projected Unit Growth <sup>2</sup>	30%	18%	8%	10%	34%	100%
<b>Total Uninc. Area</b>	100%	<b>2,010</b>	<b>1,206</b>	<b>536</b>	<b>670</b>	<b>2,278</b>	<b>6,700</b>
<b>North</b>	43%	867	520	231	289	982	<b>2,889</b>
<b>East</b>	46%	923	554	246	308	1,046	<b>3,076</b>
<b>South</b>	11%	221	132	59	74	250	<b>735</b>

(1) Source: AECOM based on Census Household Income Tiers  
(2) SANDAG Forecast Series 13, AECOM, Occupied Housing Units 2020-2035  
(3) Total Based on RHNA Allocation 6th Cycle

- By combining RHNA target projections for the unincorporated area, SANDAG projections for share of household growth by sub-area, and categorization of existing households by AMI tier as shown in Table 11, it is possible to develop a view of housing needs in the unincorporated area.
- Of the 6,700 units targeted by RHNA, the greatest share (46 percent) go to the East sub-area, followed by the North at 43 percent and the South by 11 percent.
- Approximately 56 percent of units are allocated at below 120 percent AMI for below, which suggests that more than half of all units should be rent-restricted in some way.
- Nearly half (48 percent) of all units should be affordable for either Low or Very Low income households.
- Approximately 18 percent of all units should be allocated for Moderate or Middle Income Households.

### 3.5 Summary

- The unincorporated area has generally featured bedroom communities that export workers to job centers elsewhere in the County and beyond.
- Unincorporated area communities enjoy relatively high household incomes relative to the County average.
- Population growth in the unincorporated area has kept pace with the County, but projections indicate faster growth in the near future. Among sub-areas, the North is the most populous, the fastest growing, and the largest source of employment, although employment growth projections indicate the South and East sub-areas will grow more quickly in the near future.
- Age distributions in the sub-areas suggest that the North, with its relatively low median age and greater share in age-44 and younger cohorts, hosts a high proportion of younger families with school-aged children for whom single-family or larger attached product types may be desired. Higher median age and membership in over-44 age cohorts in the East indicates relatively higher demand for housing catering to empty nesters and seniors, which may more likely include smaller single-family or attached product types.
- High ownership rates in the unincorporated area relative to the County are consistent with growth patterns that have seen home buyers for decades "drive to qualify" for less expensive housing.
- High residential cost burden is a County-wide problem, which approximately one-third of all owners and two-thirds of all renters experience.

- The unincorporated area is built-out to 76 percent of General Plan capacity. The North and East sub-areas, each with 29 percent remaining capacity, have the greatest potential to absorb future growth.
- Residential inventory in the unincorporated area shows a high proportion of detached single family homes.
- Existing affordable housing inventory in the unincorporated area includes an almost equal mix of units set aside for Low and Very Low income housing. At this time, there are no units set aside in either Moderate or Middle-Income categories. The largest concentration of affordable units is in the South sub-area, followed in order by the East and North sub-areas. These distributions are in inverse ranking of housing inventory, which is greatest in the North followed by the East and South. Assuming a fair-share approach to affordable housing production, the North sub-area is lagging East and South sub-areas in production.
- Recent development and project pipeline in the unincorporated area indicates strong emphasis on single-family detached units. Production of attached and multifamily projects appears to be static or declining. The pipeline indicates stronger growth in ADUs, which represent 6 percent of the current inventory but 17 percent of dwelling units under development.
- Variation by sub-area in single-family and condominium home values suggests that for for-sale products, care should be taken to tailor inclusionary set-aside requirements to reflect market differences. However, a more standardized set of program requirements may be possible with rental units, because variations in market rent may be less dependent on location than on the quality and freshness of the project itself.
- A residential production snapshot from the last 12 months in the unincorporated area, during which 527 units were completed (excluding mobile home and ADUs), shows that an overwhelming majority of units was in the single-family detached category, and that higher-density projects that may better support affordable housing set-asides are extremely few in number.
- A blended analysis combining RHNA target projections for the unincorporated area, SANDAG projections for share of household growth by sub-area, and existing household incomes by tier indicates that approximately 56 percent of units are allocated at below 120 percent AMI, which implies a need that more than half of all unit growth in the unincorporated area should be rent-restricted in some way.

## 4. Best Practices Literature Review

### 4.1 Overview

The purpose of this section is to review and evaluate existing literature and examples of inclusionary and middle-income housing programs to obtain a broad understanding of why programs and program elements have been successful and to glean insights that can be incorporated into recommendations for San Diego County.

### 4.2 Trends in Inclusionary Housing

#### 4.2.1 National Trends

The first inclusionary housing program to be successfully implemented in the United States was in Fairfax County, Virginia, in 1971. Since then, hundreds of programs in 28 states have been developed. Counting and tracking these has been difficult, however. Authors of the most comprehensive study to date<sup>12</sup> qualify findings heavily due to a lack of consistent and comprehensive data. Key findings from the study include the following:

- There are 1,379 programs in 791 jurisdictions spread over 28 states among survey respondents. Of these, the states of New Jersey (45%), Massachusetts (27%), and California (17%) contribute the majority.
- The first program was established in 1971. The 2000s decade saw the greatest increase in the number of programs.
- 40 percent of surveyed jurisdictions report having more than one inclusionary program, which is defined broadly to include all programs that support production of affordable housing.
- Roughly half of all programs surveyed do not have a minimum development size threshold that triggers compliance requirements.
- Surveyed jurisdictions indicate that minimum required set-aside percentages vary widely and are typically staggered by affordability level. The range generally falls between 5 percent and 35 percent.
- Over 90 percent of inclusionary programs deed-restrict the affordable units to terms of 30 years or longer.
- A summary of affordable housing production from 675 jurisdictions responding to the survey is 173,707 units, an average of 257 units per jurisdiction. In addition, 373 responding jurisdictions reported generating \$1.7 billion in in-lieu fees (over the full life of the program), an average of \$4.6 million per jurisdiction.
- Many surveyed jurisdictions could not provide information on total affordable units and fees produced because of a lack of consistent accounting or standardized approaches for attributing sources for affordable housing production.

#### 4.2.2 Local Trends

As of 2020, 10 of 18 incorporated cities in San Diego County have mandatory inclusionary housing programs in place, as shown in Table 13. This means 67 percent of the population resides in jurisdictions with such a program, a figure that increases to 82 percent if the County adopts one as well. The 10 jurisdictions currently with inclusionary housing policies also account for approximately 79 percent of the RHNA allocation, and adding the unincorporated county area increases this share to 83 percent.

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<sup>12</sup> Inclusionary Housing in the United States: Prevalence, Impact, and Practices, Thaden and Wang, 2017

Overall, the trends indicate that most residential development is subject to mandatory affordable housing set-aside. This suggests that the risk of developers choosing to develop outside the County to avoid the requirement is falling as opportunities diminish. A County program, if adopted, would continue this trend.

**Table 13: County Jurisdictions by Inclusionary Housing Program, RHNA Allocation, and Population**

	<b>RHNA Allocation<sup>1</sup></b>	<b>Total Population<sup>2</sup></b>
<b>Jurisdictions with Inclusionary Housing</b>		
Carlsbad	3,873	114,622
Chula Vista	11,105	267,503
Coronado	912	21,683
Del Mar	163	4,322
Encinitas	1,554	63,158
Oceanside	5,443	177,362
Poway	1,319	50,207
San Diego	108,036	1,419,845
San Marcos	3,116	95,768
Solana Beach	875	13,938
<b>Subtotal</b>	<b>136,396</b>	<b>2,228,408</b>
<i>% of San Diego Region Total</i>	<i>79%</i>	<i>67%</i>
<b>Jurisdictions without Inclusionary Housing</b>		
El Cajon	3,280	105,557
Escondido	9,607	151,478
Imperial Beach	1,329	28,163
La Mesa	3,797	61,261
Lemon Grove	1,359	26,834
National City	5,437	62,257
Santee	1,219	56,994
Vista	2,561	103,381
Unincorporated County	6,700	513,123
<b>Subtotal</b>	<b>35,289</b>	<b>1,109,048</b>
<i>% of San Diego Region Total</i>	<i>21%</i>	<i>33%</i>
(1) San Diego County 6th Cycle Allocation and Population 2021-2029		
(2) SANDAG 2018 Estimates		
Source: SANDAG, AECOM		

## 4.3 Inclusionary Housing Characteristics and Success Factors

### 4.3.1 Challenges to Determining Best Practices

Several issues make it difficult to compare existing inclusionary housing programs to determine definitively why and how they succeed or fail. These issues include:

- **Different motivations and goals between jurisdictions:** While the impetus in some jurisdictions for inclusionary housing comes from communities demanding more housing diversity and affordability, other jurisdictions do so from regulatory pressures to encourage more affordable housing production, which can result in a program designed more to satisfy legal requirements than generate affordable units.
- **Non-standard classification and inconsistent record-keeping:** Inclusionary housing is typically one of many programs a jurisdiction will employ to encourage housing production. While jurisdictions usually track affordable housing inventory, they do not often attribute the source of new units to one program or another. Furthermore, because incentives from many sources may be combined to help fund production (e.g.: in-lieu fees and Low-Income Housing Tax Credits may be combined to help finance a 100 percent affordable project), attribution to one program or another is difficult.
- **Different underlying market conditions between jurisdictions and over time.** Because inclusionary housing policies rely heavily on private market investment, program success often tracks market conditions. For example, a program established in 2008 or 2009 during the Great Recession would likely have underperformed a program established during the market rebound in 2010 or 2011.

### 4.3.2 General Best Practices

As a body of evidence from long-established programs has formed, several general themes for successful programs have emerged:

- **Tailor program to area-specific market and regulatory conditions:** Inclusionary housing programs closely calibrated to a jurisdiction's market and regulatory conditions—and where applicable, to distinctions between sub-areas—do best in producing affordable units without having adverse impacts on housing production. This typically entails, at minimum, conducting an economic feasibility study before establishing set-aside requirements. Many earlier inclusionary programs were adopted without feasibility studies or otherwise close consideration of market factors, and as result, did not achieve desired goals.
- **Flexible compliance options:** Programs that offer a wide range of alternative compliance options such as in-lieu fees, off-site development, land dedications, or a range of set-aside AML tiers typically perform better than those that don't, because flexibility allows developers to pursue a wider and more creative range of strategies to satisfy policy goals.
- **Provide incentives and offsets.** Programs that offer a broad range of options that help developers recoup revenues lost to rent-restricted units show little evidence of having an adverse impact on overall housing production, whereas evidence exists that programs lacking incentives may suppress overall production. These can include reduced or waived permitting fees, expedited or ministerial entitlement and approvals, and density bonuses.
- **Reductions in regulatory barriers to development:** Regulatory barriers may increase development costs or limit flexibility to use offsets and incentives for affordable housing development that, if lowered, can help inclusionary housing programs be more effective. For example, height limits present challenges to applying density bonuses where building up represents the only feasible means of applying them. Lengthy discretionary approval processes may discourage developers from seeking offsets and incentives to which they are otherwise entitled. Building parking in a residential development is costly, and high mandatory parking requirements in areas where alternative transportation modes are available increase the development cost burden.
- **Alternative and complementary affordable housing programs within jurisdiction:** Jurisdictions that offer a wide range of tools to support affordable housing production typically have more effective inclusionary housing programs, because the alternatives give developers additional resources to help fund development. Furthermore, key stakeholders in these jurisdictions are typically more committed to the goals of housing affordability, which leads to stronger community support, a more knowledgeable development community, and better Staff capability to leverage all available financing tools.
- **Phasing:** A phasing-in of program parameters and/or minimum thresholds may help ensure a smooth transition for transactions and projects currently under development or in process.

### 4.3.3 Program Parameters

Inclusionary housing programs vary widely by compliance triggers, set-aside requirements, use of submarket areas, permanence mechanisms, alternative compliance options, and the availability of offsets or incentives to developers. Typical program parameters are discussed below. (For more specific examples of how these program parameters are applied at peer jurisdictions, please refer to Section 4.5)

#### 4.3.3.1 Compliance Requirements

- **Mandatory or Voluntary.** Mandatory programs require all residential projects subject to program requirements to comply, which guarantees that every market-rate project contributes to affordable housing production. All California jurisdictions are also subject to the California State Density Bonus Law (SDBL), which is a voluntary program that provides a schedule of density bonuses and other concessions in exchange for setting aside a portion of all units as affordable. Many inclusionary housing programs in the state have adopted the SDBL menu for set-aside requirements and concessions, effectively making this voluntary program a mandatory one.



- **Compliance Triggers:** Most inclusionary housing programs provide an exemption for projects below a specified unit threshold. Thresholds typically range between 1 and 50 units. The most common minimum threshold range is between 5 and 10 units. Some programs set the threshold as low as 1 or 2 units, for which compliance is enabled through an in-lieu fee. Some jurisdictions have different set-aside percentages for projects in different size categories under the assumption that larger projects are better able to absorb the cost imposed by a higher set-aside requirement.

#### 4.3.3.2 Set-Aside Requirements

- **Household Income level:** Required affordable set-asides are typically scheduled by AMI tiers, which reflect census data at the local level, are published by HUD and updated annually. Typical AMI tiers for which inclusionary housing programs schedule set-asides for Very-Low income households (<50 percent AMI), Low-Income households (50-80 percent AMI), and Moderate-Income households (80-120 percent AMI). In addition, some programs also include options for what are called workforce housing or middle-income housing. These are not standardized by income tier and typically fall in a wide range of between 60 percent and 150 percent AMI. For example, the County of Los Angeles mandates a set-aside for for-sale development targeting an average household income of 135 percent AMI.
- **For-Sale vs. For-Rent:** Programs typically set different set-aside schedules for rental and sale projects. Rental project set-aside requirements may be more concentrated in lower-income tiers than for-sale project requirements. For example, the City of San Diego requires a 10% set-aside at 60% AMI in for-rent developments and either a 10% set-aside at 100% AMI or 15% set-aside at 120% AMI in for-sale developments.

#### 4.3.3.3 Sub-Area Variations

- Many programs, especially those with large and diverse terrain that encompasses multiple residential sub-markets, feature program compliance requirements that differ by sub-area.
- Sub-area requirements may reflect differences in market economics. For example, a sub-area may feature higher set-aside requirement because high market rents provide a greater source of subsidy for rent-restricted units than in sub-areas with lower rents. (See Section 4.5.6 for examples.)
- Sub-area requirements may also reflect land use regulations. A sub-area with permitted densities between 20 DU/AC and 30 DU/AC are more likely to be able to support affordable housing and reach economies of scale by taking advantage of density bonus incentives.
- Sub-areas may also be defined to provide exemption from compliance requirements entirely. These may correspond to areas that for economic, regulatory, or policy reasons are not a feasible source of support for affordable housing. For example, an area with little new development activity and low market rents that cannot support market-rate development will be even less able to support development that's encumbered with an inclusionary set-aside requirement. Alternatively, an area under a larger discretionary permit such as a specific plan area may have affordability requirements that supersede a regional inclusionary program.
- Jurisdictions may also use sub-area variations to promote policy goals, such as Transit Oriented Development (TOD) or mixed-income development in areas lacking housing diversity.
- To assure clarity and ease of implementation, it is important that the number of sub-area boundaries are clear and comprehensible and that the number of sub-areas be kept as low as is feasible to adequately reflect sub-market variances.

#### 4.3.3.4 Covenant Period

- All programs specify a covenant period that preserves units as affordable for a defined length of time. Many older programs specified covenant periods of 30 years, but the recent trend has been to stipulate longer periods, and 45 years, 55 years, and perpetuity covenants are now commonplace. Most jurisdictions use a housing commission or housing authority to monitor compliance.

#### 4.3.3.5 Alternative Compliance Options

- **Onsite Development:** Most jurisdictions offer both onsite and off-site compliance options. Onsite compliance can promote policies of creating mixed-income communities and, through specified requirements, ensures the quality and location of the inclusionary units are equal to the market rate units. Onsite compliance allows for added density through the SDBL or other density bonuses that may be offered.



- **Offsite Development:** Offsite compliance allows for flexibility and permits developers multiple options to comply with mandatory ordinances. Offsite development may offer economic advantages, as 100 percent affordable projects have access to financing tools that market-rate projects do not. Offsite units may also help circumvent the challenges and negative externalities presented by increasing density in areas that may not be able to accommodate it. Typically, jurisdictions stipulate that offsite development occur in a location not far from the primary project, such as within a narrow radius, within the same planning area, or within the same sub-area. Alternately, program rules may seek to focus off-site development in areas that are consistent with jurisdiction goals for compact development and for co-location with transit and job centers. Many programs offer flexibility to comply through a mixture of both onsite and offsite development.
- **In-Lieu Fees:** Most jurisdictions provide an in-lieu fee option. The in-lieu fee must be calibrated to match a target percentage of set-aside. Depending on policy goals, an in-lieu fee can be set to represent an equivalent cost to building a unit on-site (typically calculated as the value gap between an affordable and market-rate unit), which offers a developer the maximum flexibility in complying with policy. Alternately, a fee that is lower than providing a unit onsite will provide an incentive to pay it, while a higher fee may compel onsite development. Many programs offer flexibility to mix affordable unit development (both onsite and offsite) with payment of fees and other alternative compliance options. For a description of how in-lieu fees may be derived, see Section 6.2.5 of this report.
- **Linkage Fees:** An alternative to standard inclusionary housing programs is a housing impact or linkage fee program. Linkage fees are established through a nexus study that estimates how new demand for affordable housing may result from new commercial or market-rate residential development. Compared with the requirements for establishing an inclusionary housing and/or an in-lieu fee program, a linkage fee program represents a high analytical hurdle that may be subject to legal challenge if the nexus is not adequately proven. Furthermore, because the nexus requirement is generally based job creation, high fee collections rely on high levels of commercial development; for areas with a greater concentration of residential development, this may result in a relatively small yield. A linkage fee program based on commercial development may be implemented in tandem with an inclusionary housing program. The City of San Diego collects linkage fees for non-residential development, while residential development is subject to its inclusionary housing policy. Some jurisdictions assess linkage fees on residential development as well as commercial development. In these instances, the linkage fee program represents an alternative to an inclusionary housing program.
- **Land Dedication:** which is an alternative compliance method offered by the SDBL, is an option offered in most jurisdictions.

#### 4.3.3.6 Incentives and Offsets

- **Density Bonus Unit Density and Floor to Area Ratio (FAR):** All jurisdictions in California must comply with the SDBL and allow density bonuses according to the state schedule, which establishes allowable density bonuses for the minimum threshold of set-asides for Very-Low, Low, and Moderate Income tiers. Jurisdictions can further their housing policy goals by allowing additional compliance options for targeted household income levels, increasing density bonuses, or lowering the minimum threshold of set-asides. Some jurisdictions codify additional bonuses in their own set-aside schedules while others allow for a discretionary process to grant concessions, incentives, offsets, and additional density bonuses on a case-by-case basis. San Diego County's Density Bonus Law complies with the schedule of the SDBL and allows for an additional incentive beyond the number prescribed in the SDBL at each threshold.
- **Fee Reduction:** Jurisdictions levy fees on new development to recoup costs including staff time to process permits as well as to pay for infrastructure needed to support new development. These fees can take the form of development impact fees, housing impact fees, traffic impact fees, and others. In order to lower impediments to affordable housing development, some jurisdictions reduce or waive fees that apply to affordable housing development. Reduction/waiver commonly applies only to the affordable units, but discretionary processes allow for further case-by-case negotiation.
- **Expedited Processing:** Due to high carrying costs of land and tight schedules for development, some jurisdictions allow for expedited processing for projects with inclusionary housing. This typically entails making certain approvals by-right.
- **Relaxed Development Standards/Design Guidelines:** The SDBL mandates that jurisdictions grant concessions or incentives to developers that qualify for density bonuses through affordable housing set-

asides. The jurisdiction is required to grant the concession/incentive unless it finds the proposed concession does not result in actual cost reductions, causes public health, safety, or environmental problems, damages historical property, or is contrary to the law. Potential incentives include reduction of parking requirements, development standards pertaining to setbacks, heights and other zoning codes, or the approval of mixed-use land designations. The menu of options can be detailed in the jurisdiction's ordinance or subject to legal precedent or development feasibility analyses.

## 4.4 Middle-Income Housing Programs

Traditional support for housing affordability has prioritized housing for low-income households. However, as residential costs have outpaced income growth in the County and throughout California, housing affordability needs are increasing for middle-income households as well.

The mechanism proposed to support middle-income housing production in this study is a density bonus program that would be integrated into a proposed County-wide inclusionary housing program. The program would also be coordinated to supplement the SDBL and include options and concessions that create incentives for developers to set aside middle-income units in the same way the law does for affordable units.

Middle-income housing is defined in this study as housing that is affordable for households earning between 120 percent and 150 percent AMI. However, nearly all the examples of middle-income housing programs observed in this review, including all that employ a density bonus, define middle income as falling in the 80-120 percent range, which meets the definition for moderate income housing published by the State Department of Housing and Community Development.

Workforce Housing, which has a long legacy in the United States, is sometimes used interchangeably with middle-income housing but should be considered distinct for the purpose of this analysis. Traditionally, workforce housing has been provided by both private- and public-sector entities to accommodate workers in targeted industries or sectors. Qualifying tenants or buyers of workforce housing have typically been required to provide a service or benefit to the sponsoring entity. Older examples of workforce housing are dormitories in New England textile mills and Stuyvesant Town in New York City, while more recent examples include faculty housing at colleges and universities.<sup>13</sup> Most workforce housing programs nationwide define qualifying incomes that fall within traditional affordable housing categories. For example, the Low Income Housing Tax Credit (LIHTC) Program defines workforce housing as households as earning 60 percent AMI for a family of four,<sup>14</sup> and the City of Denver administers a workforce housing fund to households with earning between 40 and 80 percent of AMI.

It's widely accepted that solving California's housing affordability crisis will require layering many public- and private sector strategies, of which a density bonus program is only one. While it is not part of the scope of work for this project, some of these alternative strategies are worth mentioning for context. Private-sector strategies generally rely on innovations in financing, product design, and business models to produce units affordable for middle income households such as:

- Renovation of older properties to a level that can support middle-income rents.
- Innovative building typologies, such as micro-units<sup>15</sup> and co-living<sup>16</sup> arrangements.

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<sup>13</sup> Source: <https://www.brookings.edu/blog/up-front/2019/10/29/workforce-housing-and-middle-income-housing-subsidies-a-primer/>

<sup>14</sup> Source: <https://www.multiphasingnews.com/post/making-workforce-housing-work-2/>

<sup>15</sup> Micro-units are very small apartments usually around 200-300 square feet that typically include a small living/bedroom area, a small bathroom, and a kitchenette.

<sup>16</sup> Coliving is a residential real estate model in which tenants receive a private bedroom and a private or shared bath and share common areas such as kitchen, dining room and living room.

- Dedicated financing vehicles, such as social impact funds and funds oriented toward equitable development and affordable housing or lending programs like the Freddie Mac Non-LIHTC Forward product.

Public sector strategies for moderate-income, middle-income, and workforce housing development are largely based on programs providing direct subsidies such as:

- California AB 1734, which proposes a property tax exemption to create incentives for developers to produce middle-income housing units. Developers who receive the exemption would be obligated to set aside units for moderate-income tenants, defined as between 80 and 120 percent of the AMI.
- HUD's Good Neighbor Next Door Sales Program, a workforce housing program offering substantial discounts from a home's list price made available to qualifying essential workers such as law enforcement officers, pre-Kindergarten through 12th grade teachers, firefighters and emergency medical technicians.
- The District of Columbia's Home Purchase Assistance Program (HPAP), which provides borrowers with incomes between 80 percent and 110 percent AMI with interest-free loans with payments deferred for five years and a 40-year principal-only repayment period.
- Washington State's Multifamily Tax Exemption program (MFTE) provides participation developers and jurisdictions who comply with rules for building multifamily projects and setting aside a portion as affordable with time-limited exemptions from property taxes.
- The Mixed-Income Program from The Building Homes and Jobs Act (signed into law in 2017) provides annual funds (\$40 million in 2019) to applicants via CalHFA to support mixed-income housing development for projects that restrict at least 10 percent of units for households earning 81 percent-120 percent AMI.
- A one-time allocation of \$500 million from the state General Fund to jumpstart the Mixed-Income Program noted above.
- Proposed expansion by \$500 million of the State Housing Tax Credit Program, with up to \$200 million targeting development of moderate-income housing, define as household income of up to 120 percent of AMI.
- City of Minneapolis Missing Middle Housing Pilot Program, which is providing subsidies for projects of 3-20 units of between \$70,000 and \$95,000 per affordable unit meet Missing Middle development criteria.

In addition, there are many public-sector policies designed to encourage housing development in general, which should have a positive impact on middle-income housing production by increasing supply and relieving upward pressure on pricing. These typically fall into two categories: zoning reform to encourage higher-density development; and steps to streamline housing development processes by reducing or eliminating discretionary approvals to make the process shorter, simpler, more transparent, and less uncertain.

Examples in California including up-zoning, re-zoning, support for ADUs, and the California Environmental Quality Act (CEQA) reform. Some jurisdictions outside of California have taken even more dramatic steps to increase housing production such as Portland Oregon, which is in the process of permitting fourplexes on all lots, and Minneapolis, which has eliminated single-family zoning for new development entirely.

## 4.5 Comparable Inclusionary Housing Programs

### 4.5.1 Overview

A comparison of existing Inclusionary Housing Programs in San Diego County or in regions with analogous geographical conditions provides insights into the range of options available for San Diego County.

The compared programs include three in the largest County cities (San Diego, Carlsbad, and Chula Vista) and four in counties with significant urban and rural unincorporated areas (Los Angeles, Riverside, Sacramento, and San Luis Obispo). In addition, program parameters for the SDBL are shown for comparison. The program comparison is shown in Table 14.

#### 4.5.2 Analysis of Comparable Programs

The programs of the profiled jurisdictions represent a range of parameters and potential options for San Diego County. Each is tailored to the market dynamics and demographic needs of the jurisdictions they serve, which differ in terms of political, geographical, and socio-economic variables.

At one end of the spectrum is Riverside County, which has a voluntary program that offers density bonus options that expand on the schedule offered by the State Density Bonus Program. At the other end are jurisdictions with mandatory programs that require most new residential projects to set aside some minimum portion of units. Of these, Los Angeles County, the City of San Diego, and San Luis Obispo County feature extensive schedules of density bonus incentives and alternative compliance options. Other programs, such as Sacramento County and the City of Carlsbad, are more discretionary and require developers to negotiate terms of compliance. For a comparison table representing comparable programs, see Table 14.

#### 4.5.3 Date Established

- Three of the 7 jurisdictions profiled (Los Angeles (in progress), San Diego, San Luis Obispo) have in the last two years established inclusionary zoning for the first time or updated existing programs. The affordable housing crisis in California, coupled with stronger demands from Sacramento for enforcement of RHNA standards, has led to a renewed interest by jurisdictions in inclusionary housing programs.
- The earliest established in the set is Chula Vista in 1981, and the latest is Los Angeles County in 2020.

#### 4.5.4 Compliance Requirements

- Riverside County is the only jurisdiction of the 7 profiled with an entirely voluntary inclusionary housing policy. The City of Carlsbad program is mandatory for for-sale projects and voluntary for rental projects (unless the rental project seeks a density bonus or other development incentives). All others are mandatory for both rental and sale projects.
- Minimum project sizes that trigger compliance range from 1 (Carlsbad, Sacramento, one San Luis Obispo sub-area) to 50 (Chula Vista). The jurisdictions with the lowest triggers (also including Los Angeles County at 5) require paying in-lieu fees to comply.

#### 4.5.5 Minimum Set-Aside

- Minimum compliance for mandatory programs ranges from 5 percent to 20 percent. The lowest minimum corresponds to the very-low household income tier (the 5 percent minimum set-aside at 40 percent AMI for Los Angeles County). No jurisdictions except LA County have programs that target the very low-income tier.
- 5 of 7 jurisdictions profiled provide compliance options to set aside units for moderate income households (80 percent-120 percent AMI). Moderate Income set-aside requirements apply mainly to for-sale units.
- There are no programs in the set with provisions for set-asides in the 120 percent to 150 percent AMI tier.
- Most jurisdictions stipulate that the size, quality, number of bedrooms, access, and other characteristics must be equal between the inclusionary and market-rate units.

#### 4.5.6 Sub-Area Variance

- 3 of 7 jurisdictions profiled include sub-areas with different set-aside requirements and compliance options. For example, Los Angeles County has 6 subareas, Carlsbad 4, and San Luis Obispo County 2.

#### 4.5.7 Covenant Period

- All profiled programs except Riversides specify a covenant period of 55 years for rental developments.

- For-sale developments show a greater range in covenant periods, with some limited to the initial buyers only, others in perpetuity, and still others including equity-sharing agreements with the jurisdiction that apply upon resale.

#### 4.5.8 Alternative Compliance Options

- 5 of the 7 jurisdictions profiled provide options for **offsite development** that require inclusionary units to be developed within a set distance, within the same geographical boundary, near critical infrastructure such as transit, or within the same planning area as the market-rate units.
- Only Riverside County in the set does not provide an **in-lieu fee** option. In-lieu fees are typically developed to align with a target percentage set-aside. Of the 5 jurisdictions that allow compliance through the in-lieu fee, only San Luis Obispo County differentiates between sub-areas: for-sale developments in the Coastal Zone have an in-lieu fee for dwelling units larger than 900 square feet, while developments in the Inland areas have an in-lieu fee for dwelling units larger than 2,200 square feet. All jurisdictions offering in-lieu fees allow mixing in-lieu fees with other compliance alternatives and the fees are pro-rated to reflect their share of the total compliance obligation.
- **Land Dedication:** 4 of the 7 jurisdictions allow for compliance through a land dedication/donation. The land must either have an equivalent value as the in-lieu fee or be zoned for development suitable to meet the minimum requirements of the inclusionary ordinance.
- **Commercial Linkage or Non-residential Housing Impact Fees:** 3 of the 7 jurisdictions collect linkage fees from commercial or non-residential development that contribute to the funding of affordable housing development. Linkage fees are established by nexus studies to mitigate the impact of new development on housing costs for lower-income households. No jurisdictions have both in-lieu fees for set-aside requirements and linkage fees for residential development, as they would be redundant.<sup>17</sup>

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<sup>17</sup> Prior to the 2020 adoption of an Inclusionary Housing Ordinance in the County of Los Angeles, both non-residential and residential linkage fees were considered and ultimately shelved. Studies found that non-residential linkage fees would generate insignificant funds, and residential linkage fees would likely produce fewer affordable units than an inclusionary housing ordinance. Their conclusions are consistent with the national study carried out in 2015 by the Lincoln Institute that found linkage fees established through nexus studies faced significant legal challenges that lead to jurisdictions adopting lower than optimal fee schedules. While inclusionary housing programs establish in-lieu fees through the cost of affordable units, linkage fees are based on the economic impacts identified in nexus studies, for which estimates and subsequent fees are consistently lower relative to the costs of affordable development.

**Table 14: Inclusionary Zoning Program Comparison**

	Cities			Counties				State Density Bonus Law
	Carlsbad	Chula Vista	City of San Diego	Los Angeles County	Riverside County	Sacramento County	San Luis Obispo County	
<b>Date</b>								
Established	1993	1981	2003	2020 <sup>1</sup>	2013	2004	2008	1979
Last Revised	2000		2020			2015	2019	2018
<b>Mandatory/Voluntary</b>	Mandatory (Sale), Voluntary (Rental)	Mandatory	Mandatory	Mandatory	Voluntary	Mandatory	Mandatory	Voluntary
<b>Compliance Trigger</b>								
Qualifying Project Size (units)	1	50	10	5	Discretionary	1	1, 2, 11 <sup>2</sup>	NA
Sliding scale based on project units	No	No	No	Tiers 5-15, >15	Discretionary	No	No	Yes
Sliding scale based on project unit size	No	No	No	No	Discretionary	No	Yes	No
<b>Project Type Subject to Requirement</b>								
Rental Residential	Yes	Yes	Yes	Yes	No	Yes	By sub-area <sup>3</sup>	Yes
Sale Residential	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Other	Rehab	Condo Conversion	Rehab <sup>3</sup> , Condo Conversion	No	No	No	Mixed-Use, Land Subdivision	Rehab, Senior, Student, Condo Conversion, Commercial
<b>Minimum Set-Aside: Rental Projects</b>	15% at 50%-80% AMI (Only with Density Bonus or Other Concessions)	5% at 50%-80% AMI + 5% at 80%-120% AMI	10% at 60% AMI (avg.)	5-15 Units: 5% at 40% AMI (avg.) or 7% at 65% AMI or 10% at 80% AMI. >15 Units: 10% at 40% AMI (avg.) or 15% at 65% AMI or 20% at 80% AMI	N/A	20% at 50%-80% AMI as alternative to in-lieu fee	For Coastal Zone: 15% at 50%-80% AMI or 15% at 80%-120% AMI	5% at 30%-50% AMI or 10% at 50%-80% AMI
<b>Minimum Set-Aside: Sale Projects</b>	15% at 50%-80% AMI	5% at 50%-80% AMI + 5% at 80%-120% AMI	10% at 100% AMI (avg.) or 15% at 120% AMI (avg.)	5-15 Units: At 135% avg. AMI between 0% and 10% depending on sub-area. >15 Units: At 135% avg. AMI between 5% and 20% depending on sub-area.	15% at 50%-80% AMI or 25% at 80%-120% AMI or 80% average area price	20% at 50%-80% AMI as alternative to in-lieu fee	Coastal Zone A: 5% at 30%-50% AMI + 5% at 50%-80% + 5% at 80%-120% + 5% at 120%-150%. Coastal Zone B: 15% at 50%-80% AMI (but to qualify for a bonus requires 10% at 30%-50% or 20% at 50%-80% AMI). Inland Zone: 2% at 30%-50% AMI + 2% at 50%-80% + 2% at 80%-120% + 2% at 120%-150%	5% at 30%-50% AMI or 10% at 50%-80% AMI or 10% at 80%-120% AMI
<b>Program Sub-Areas</b>								
Onsite Affordable Units (# of areas)	4	Yes <sup>4</sup>	Yes <sup>5</sup>	6	No	No	2	N/A
In-lieu fees (# of areas)	No	No	No	NA	No	No	No	N/A
<b>Covenant Period for Affordable Units</b>								
For Rent (years)	55	55	55	55	N/A	55	55 Coastal Zone	55
For Sale (years)	30	Initial Buyer	Perpetuity (Equity Share Options)	Perpetuity	Discretionary	30	45 Coastal; Perpetuity Inland	Initial Buyer
<b>Alternative Compliance Options</b>								
In lieu fee	Yes (<7 units or at City discretion)	Yes	Yes	Yes	No	Yes (mandatory; set-aside the alternative)	Yes (tiered rate based on unit size)	No
Off-site units	Yes (at City discretion; in same quadrant)	Yes (excluding areas with low/moderate income)	Yes (within one mile or same community planning area, or >1mile +5% additional units)	Yes (within submarket area)	No	No	Yes (within sub-market Area)	Yes (commercial projects, located near schools, employment and transit)
Dedicate land of equivalent value	Yes (at City discretion)	No	Yes	No	No	Yes	Yes	Yes
<b>Incentives</b>								
Density Bonus Exceeding SDBL	Discretionary	Discretionary	Per schedule	Per schedule	Discretionary	Discretionary	No	NA
FAR Bonus	Yes	Yes	No <sup>6</sup>	No	No	Yes	Yes	Yes
Fee Reduction	Yes	No	Discretionary (building permit, dev. impact, traffic impact)	100% affordable: building permit, traffic impact	No	No	No	Yes
Expedited Processing	No	No	Yes	No	No	No	No	NA
Waived/Reduced Dev. Standards	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Waived/Reduced Design Guidelines	Yes	Yes	Yes	Yes	Yes	No	No	Yes

(1) Los Angeles County's program is going before the County Board of Supervisors for a vote in 2H20  
(2) San Luis Obispo County has separate land use ordinances for its Coastal Zone. Additionally, the County has 4 Market Areas for off-site compliance  
(3) Rehabilitated projects that result in the net increase of dwelling units and condominium conversions of 2 or more dwelling units are also subject to inclusionary requirements  
(4) Chula Vista has a flexible system of sub-area exemptions based on median household income at US Census Tract level  
(5) The City of San Diego has housing policies North City Future Urbanizing Area with affordable requirements for developments requesting density bonuses in very low density areas (AR-1-1 and OR-1-2 Zones)  
(6) No bonus written into density bonus regulation, but applicant may use an incentive for increased FAR.

#### 4.5.9 Density Bonuses and the State Density Bonus Law

- The 7 profiled jurisdictions fall into three categories in how they relate to the set-asides and incentives provided by the state's voluntary California State Density Bonus Law program (SDBL).
- In the first general category is the San Luis Obispo program that offers density incentives that in the qualifying sub-areas align directly with the SDBL schedule.
- The second category, which includes 4 of 7 jurisdictions (Carlsbad, Chula Vista, Riverside, and Sacramento), features programs with density incentives that align with the SDBL schedule but that require a discretionary process to permit an exchange of higher set-asides for higher densities. This process usually entails approval of a zoning change and other provisions to address any negative effects that might result from increased density.
- The third category, which includes the City of San Diego and Los Angeles County programs, provides a set schedule with density bonuses that extend beyond those provided by the SDBL.

#### 4.5.10 Other Incentives and Offsets

- 3 of 7 profiled jurisdictions offer the possibility of **fee reduction** or waiver. These fees include development impact fees, housing impact fees, traffic impact fees, and others. The reduction/waiver option commonly applies only to affordable units, but discretionary processes allow negotiation for exact incentives.
- Only the City of San Diego provides **expedited permit processing** as an incentive for compliance with inclusionary housing requirements. However, this benefit requires the payment of a separate fee.
- All profiled jurisdictions offer **reduction or modification of development standards and design guidelines** as an incentive for providing affordable set-asides, which is an incentive also provided by the SDBL. Jurisdictions have flexibility, however, in defining a menu of options for this incentive. These can touch on parking requirements, height and set-back limits, discretionary design reviews, and other measures.



## 5. Interviews

### 5.1 Overview

Interviews with land use professionals provide key details and insight into on-the-ground development opportunities and challenges. To complement the research and analysis in other tasks, AECOM conducted a series of interviews with developers, brokers, and industry association representatives familiar with the economic geography of the unincorporated county area.

The interviewees were selected in cooperation with County staff to provide a range of perspective from the development and housing advocacy communities. The interviews were conducted telephonically on a largely one-on-one basis and were distinct from the community workshops conducted separately. Each interviewee was questioned about the opportunities and challenges of market-rate GPA development in the incorporated and unincorporated areas of the County and asked to provide feedback about a proposed inclusionary housing program and recommendations for implementation.

The following is a summary of the response received from ten interviewees, who are listed with interview dates on Table 15. The summary reflects differing points of view and includes both variety and consensus opinion.

**Table 15: Interviewees**

<b>Interviewee</b>	<b>Firm/Organization</b>	<b>Date of Interview</b>
Ed Holder	Mercy Housing	10/6/2020
Kurt Hubbell	DR Horton	10/7/2020
Gary London	London Moeder Advisors	10/8/2020
Jim Schmid	Chelsea Investment Corporation	10/13/2020
Mike Sweeney	Building Industry Association	10/13/2020
Matt Adams	Building Industry Association	10/13/2020
Bob Cummings	MirKa Investments	10/19/2020
William Ostrem	Lennar	10/21/2020
Andrew Malick	Malick Development	10/22/2020
Paul Barnes	Shea Homes	10/26/2020

### 5.2 Interview Summary

#### 5.2.1 Market-Rate Developer Interviews

##### 5.2.1.1 Challenges of GPA Development in County Unincorporated Area

- Long and uncertain process for GPA project approval due to long entitlement process, CEQA, traffic impact VMT (Vehicle Miles Travelled) requirement, threat of voter referenda
- Lack of land near transit corridors zoned for large-scale residential development
- Topographical and environmental challenges on available land adds cost and delay.
- Limited market demand for denser residential types outside the incorporated cities. (The market favors small-lot SFR and detached condominiums in the 4.3-10.9 DU/AC range).
- Financial burden and limited sources of equity for large developments

##### 5.2.1.2 Challenges Posed by an Affordable Housing Requirement

- Requiring affordable units on site of "like kind" could create an extraordinary burden.
- An inclusionary housing ordinance would reduce land value, but this is unlikely to reduce land sales in the long term. Developers adjust quickly to new realities.



- The minimum project compliance trigger should be 100-150 units for a development project that could absorb the loss of value from inclusionary requirements. A 50-units threshold would be very challenging, especially if compliance required all on-site affordable units.
- Most developers concur that a 10 percent affordable set aside is likely the upper limit for financial feasibility.
- An inclusionary housing ordinance would act as a tax on residential property. This increases the residual land value of non-residential uses
- All projects are different, so the 30% reduction in land value threshold (for determining feasibility) is crude. However, there is likely no better rule of thumb for the entire unincorporated county.

#### **5.2.1.3 Alternative Compliance Ideas**

- Clear guidelines with maximum flexibility to allow for tailor-made solutions, as all projects are different in terms of geography, type, timing, price-point, site-constraints, etc.
- In-lieu fees, off-site compliance, and land donation are all crucial to create an inclusionary housing ordinance that works
- Several developers mentioned the use of affordable housing credits or an affordable housing bank that would allow affordable developers to sell credits to market-rate developers to meet inclusionary requirements. Affordable units could be pooled together, and projects would achieve economies of scale.
- Several developers would be willing to exchange affordable housing units for expedited processing, guaranteed timelines, or reductions in impact fees (i.e. new traffic impact fee).
- Allow for the rehabilitation/conversion of older/dilapidated dwelling units to satisfy affordable requirement.
- Allow for For-Rent Affordable Units to satisfy requirement of For-Sale Market Rate development. This is the most cost-effective method of providing affordable housing.
- All inclusionary requirements should be phased in.

#### **5.2.1.4 Other Offsets the County Might Provide**

- Self-certification for inspections (using a roster of pre-approved inspection consultants)
- By-right development if affordable is included
- A tax abatement system akin to an opportunity zone with tax increment financing (TIF) for affordable housing.

### **5.2.2 Affordable Housing Developer Interviews**

#### **5.2.2.1 AH Financing Tools and Program Administration**

- Affordable housing requires the provision of social and financial services, administrative and compliance requirements, and other legal obligations that favor larger developments that are 100% affordable.
- The cities of San Diego, Carlsbad, and Chula Vista all leverage their own city funds to help finance affordable projects. The City of San Diego has issued many bonds. Land donations from jurisdictions are also commonly used.
- Most sources of federal and state funding target very low- and low-income groups, but there should be more options for around 110 percent AMI. There is a significant gap between 60 percent AMI and 110 percent AMI. There are almost no tax credits or funding sources for household incomes at 120 percent AMI
- Successful projects layer sources of funding and financing.
- Affordable housing credit bank to finance units, buy and sell credits, and/or build the project. Would reduce restrictions and burdens on developers. Several projects could serve as the bank and pool inclusionary requirements and realize scale economies, that will produce more affordable units.

#### **5.2.2.2 Affordable Development Guidelines for GPA**

- The goal of any inclusionary housing program should be to maximize the number of affordable units produced.

- Affordable Housing development requires a skillset and access to financial resources that are rare among market-rate developers.
- Site and resource identification are crucial for affordable provision. This is often a collaboration between private affordable developers, market rate developers and the jurisdiction.
- Affordable housing should be located near employment, transit, and site amenities that are seldom available in a GPA PUD project.
- For-sale affordable housing requires complex equity sharing agreements that often make them infeasible or undesirable, difficult to regulate, difficult to find buyers, and inefficient.
- For Sale Affordable Housing for income groups below 80%-120% AMI creates an affordability gap that is too large to fill.
- Inclusionary Housing Ordinance's require a careful trade-off between market-rate and affordable housing. Too steep of a requirement will produce less affordable housing if it dampens supply of market-rate housing.
- Affordable det-aside should be capped at 10%. 15% would be the upper limit.
- 24 DU/AC is usually the most cost-efficient density for creating homes.

#### **5.2.2.3 Alternative Compliance Options**

- On-site compliance is less appealing for market-rate developers than in-lieu fees that the jurisdiction can leverage. Having the fee option can make both market rate and affordable housing more feasible.
- Allow for the rehabilitation/conversion of older/dilapidated dwelling units to satisfy affordable requirement.
- The in-lieu fee option should address the affordability gap of a unit, not more.
- Developers often favor credits or off-site pooled projects over in-lieu fees due to questions of transparency
- Reductions in parking requirements is often desirable and feasible for affordable developments.
- There are numerous sources of gap-funding available for 2020-2021. Projects with more and deeper levels of affordability are more competitive for funding.
- Extremely Low and Very Low Income levels are difficult to finance and require significant outside financing.

## 6. Economic Analysis

### 6.1 Overview

This chapter explores the impact of different affordable set-aside scenarios on the development feasibility of a range of housing types typically developed in GPA projects in the unincorporated county area. The findings from the analysis form the basis for recommendations and program parameters for each program initiative.

### 6.2 GPA Inclusionary Analysis

#### 6.2.1 Parameters for GPA Inclusionary Analysis

The BOS directive provides several parameters to prepare an economic analysis and criteria and return to the BOS for consideration of a General Plan Amendment (GPA) Affordable Housing Program and Inclusionary Ordinance.

Option 1 establishes the following parameters:

- The trigger for program compliance is a project seeking a GPA that is 50 units or greater in size.
- A range of recommended (but not mandatory) affordable housing set-aside options, based on precedents established by other jurisdictions and other projects, must be considered. These options are defined as including very low and low income units at up to 80 percent AMI. In the analysis, AECOM has also assessed the potential for moderate income units targeted at households earning between 80 percent and 120 percent of AMI.<sup>18</sup>
- A range of alternative compliance options must be considered.

Option 2 guidelines are identical to those for Option 1 except for the following:

- A mandatory (as compared with a voluntary) minimum contribution to affordable housing production is required.
- The minimum contribution to affordable housing can be satisfied by setting aside a percentage of units on site as affordable.
- The minimum contribution to affordable housing can also be satisfied by means of alternative compliance options such in-lieu fees that are designed to represent equivalent value to the on-site compliance option.

The analysis in this memo focuses specifically on exploring the economics of different affordable set-aside scenarios for both Option 1 and Option 2 and on quantifying a potential in-lieu fee.

#### 6.2.2 Key Modeling Assumptions for GPA Inclusionary Analysis

Development feasibility analysis using a static pro forma model provides the technical means for assessing the development economics of a project and for exploring how different assumptions and input factors influence development feasibility. The key assumptions used in the analysis are discussed further below. All other assumptions may be seen in the Base Case pro formas, which are included in the Appendix.

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<sup>18</sup> The middle-income tier, defined as between 120 percent and 150 percent AMI, is not considered in the GPA feasibility analysis, because market research has indicated that for smaller residential product types, GPA projects already supply units that fall in this range of affordability. See Section 6.3 for further explanation.

### 6.2.2.1 GPA Project Considerations for Analysis

GPA projects are a major source of housing production in unincorporated San Diego County. According to San Diego County building permits data, in the twelve-month period between August 10, 2019 and August 10, 2020, GPA projects contributed 58 percent of the 527 housing units completed.<sup>19</sup> GPA projects and other planned community developments offer some advantages to developers over by-right projects. Foremost among these advantages, GPA projects and other planned community developments allow larger land parcels to be assembled than is typically possible for by-right projects, and larger projects lead to scale economies that lower per-unit development costs. Subject to County approval, large-scale discretionary projects also offer developers greater flexibility in master planning, landscape design, residential design, and the provision of community amenities than smaller-scale infill and by-right projects, which gives developers greater control to offer a compelling and market-sensitive product.

GPA projects offer a resource for affordable housing, because upzoning through the GPA process may create significant land value that may be in part captured and used to fund affordable units. An illustration of how a GPA project may create value on land zoned for lower density is shown on Table 16. The example, which is derived from a recent project proposal for a planned unit development in the unincorporated area, demonstrates the development economics of two potential uses on unimproved land zoned for SR-1 (Semi-Rural Residential). The first example is the base case, which assumes the land is developed by-right for large lot single-family homes. In the example, a 10-acre project would generate revenue of approximately \$1,000,000 per unit, which is lower than the development cost of \$1,050,000 per unit. Under this zoning, the land has negative value to an entrepreneurial developer. In the up-zoned scenario, which assumes the 10-acre site is developed at VR 7.3 (Village Residential at 7.3 dwelling units per acre), per-unit revenue of \$610,000 per unit is higher than per-unit project costs of \$440,000, resulting in a residual land value of \$170,000 per unit, equivalent to \$1,240,000 per acre.

**Table 16: Illustrative Impact of GPA Upzoning on Development Economics**

GP Land Use Designation Residential Type DU/AC Sq.Ft./Unit	SR-1 Large Lot Single-Family Home		VR 7.3 Small-Lot Single-Family Home	
	1.0		7.3	
	3,500		2,200	
	10-Acre Project	/Unit	10-Acre Project	/Unit
<b>Revenue</b>	<b>\$10,000,000</b>	<b>\$1,000,000</b>	<b>\$44,530,000</b>	<b>\$610,000</b>
<b>Development Cost</b>				
On-site	\$2,200,000	\$220,000	\$2,190,000	\$30,000
Off-site	\$1,200,000	\$120,000	\$4,380,000	\$60,000
Direct	\$3,700,000	\$370,000	\$13,140,000	\$180,000
Indirect	\$2,000,000	\$200,000	\$6,570,000	\$90,000
Financing	\$500,000	\$50,000	\$1,460,000	\$20,000
Developer Profit	<u>\$1,100,000</u>	<u>\$110,000</u>	<u>\$4,380,000</u>	<u>\$60,000</u>
<b>Total Cost</b>	<b>\$10,500,000</b>	<b>\$1,050,000</b>	<b>\$32,120,000</b>	<b>\$440,000</b>
<b>Residual Land Value</b>	<b>(\$500,000)</b>	<b>(\$50,000)</b>	<b>\$12,410,000</b>	<b>\$170,000</b>
/acre		(\$50,000)		\$1,240,000
/land square foot		(\$1.15)		\$28.47

Source: AECOM, based on recent projects in unincorporated area

As the illustration demonstrates, up-zoning may create a large increase in land value. And arguably, without the upzoning, the land may have no commercial value at all.

However, discretionary projects and especially GPA projects are very risky and typically require high financial investment long before entitlements are approved or revenue is collected. GPA typically require improvement of raw land, which entails significant site investment in grading, streets, utilities, and sewer infrastructure. This adds considerable cost and complexity to project planning, especially where unknown environmental conditions may exist. As shown in the example in Table 16, for the upzoned scenario, on-

<sup>19</sup> Note: this set excludes mobile homes and ADUs.

and off-site costs make up 22 percent of total costs, which is a much higher share of total costs than an infill project with existing infrastructure might incur.

The entitlement process can take many years, during which time developers typically incur land costs, technical consultant fees, and overhead costs without compensation. The prominence of a GPA project tends to excite strong community resistance, which can further delay project approvals and require costly concessions that undercut project economics. Use of the ballot initiative process to force a public vote on GPA projects, an impediment that typically comes at the end of the entitlement process, adds further uncertainty to project planning and the threat of total project loss at the point when investors are most financially exposed. Finally, the long and unpredictable entitlement period adds considerable market risk. For these reasons, developers typically assume high returns when underwriting GPA projects. These both provide cushion against unknowns and compensation for risking capital.

The unpredictability and variety in GPA projects make it challenging to standardize assumptions for analysis in support of policy recommendations. There is no prototypical GPA project, as each is tailored to its location, unique land conditions, and market support. Infrastructure costs are also extremely variable, as each GPA area presents a unique set of conditions and challenges for providing roads, utilities, flood management, and other infrastructure. Most GPA project entitlements include provision of a community benefits package that can include a wide range of elements, from public infrastructure, to open space, to parks, to community-serving facilities such as a police station, fire station, or community center. Provision of affordable housing is typically included as part of these community benefits packages, and so a required inclusionary set-aside could result in a reduction in resources available to fund other community benefits.

AECOM has structured the pro forma models used in the analysis to calculate residual land value of unimproved land, which required making assumptions about on-site and off-site infrastructure costs. While the assumptions are tied to industry rules of thumb about the relationship of land cost to revenue potential, in practice, as described above, such costs may vary widely by project and location.

#### 6.2.2.2 Residential Prototypes

To select a set of representative residential products for analysis that reflect market preferences, AECOM conducted an analysis of recently completed residential projects mostly in the county unincorporated area. The analysis of for-sale residential products is based on five GPA projects shown in Table 17.<sup>20</sup>

**Table 17. GPA Projects Assessed for Analysis**

Project	Location
Harmony Grove Village	North County Metro
Meadowood	Fallbrook
Pala Mesa	Fallbrook
4S Ranch	San Diego/ San Dieguito
Point Lake	Chula Vista
Source: AECOM	

From these, AECOM derived the set of representative for-sale residential prototypes. While GPA projects are not required to adhere to the land use designations featured in the adopted County General Plan, for comparability, AECOM has classified the GPA residential prototypes used in the analysis by referring to the equivalent General Plan designation for density. The for-sale residential prototypes are shown in Table 18.

<sup>20</sup> Point Lake in Chula Vista was included in the analysis, even though it's outside the unincorporated area, because it offers examples and market data about attached townhomes within a planned unit development, data that was otherwise not available at the other projects in the set. Point Lake is close to unincorporated Otay and has similar market characteristics.

**Table 18. For-Sale Residential Prototypes**

	<b>SFD 2.9 (Sale)</b> Single-Family Detached	<b>SFD 4.3 (Sale)</b> Single-Family Detached	<b>SFD 7.3 (Sale)</b> Single-Family Detached	<b>Condo 10.9 (Sale)</b> Detached Condos	<b>TH-15 (Sale)</b> Attached Townhomes
Equivalent General Plan	Village Residential	Village Residential	Village Residential	Village Residential	Village Residential
Designation	2.9 (VR 2.9)	4.3 (VR 4.3)	7.3 (VR 7.3)	10.9 (VR-10.9)	15 (VR 15)
DU/AC	2.9	4.3	7.3	10.9	15
Average Lot/Unit Size	12,100	6,800	3,900	2,600	2,000
Average Project Size (Units)	29	43	73	109	150
Average Unit Size (Sq.Ft.)	3,500	3,200	2,200	1,900	1,600
Parking Type	Surface	Surface	Surface	Surface	Surface
Bedrooms	4, 5	4, 5	3, 4	3, 4	3
SPA/GPA project where found	Meadowood, Harmony Grove, Pala Mesa Highlands, Sugarbush	Meadowood, Harmony Grove, Pala Mesa Highlands	Meadowood, Harmony Grove	Meadowood, Harmony Grove, Aventine	Harmony Grove, Sweetwater Vista

Source: AECOM analysis of recent San Diego County GPA Projects

For multi-family rental projects, AECOM conducted a review using CoStar and project websites to identify a set of recent representative projects, which are shown in Table 19. From these, AECOM derived the set of representative multifamily rental prototypes shown in Table 20. Because GPA projects have not typically featured a wide range of rental multifamily products, it was necessary to base the prototype models on projects found outside GPA areas with the assumption that GPA developers will select from among these market-proven residential types. Note that while the garden apartments at 20 dwelling units per acre and flats at 30 units per acre are common throughout the unincorporated county area, the podium product at 45 units per acre is above the maximum density allowed by the County General Plan. AECOM included this prototype in the analysis to consider its potential for future development in the unincorporated area as it could be subject to inclusionary housing policy.

**Table 19. Recent San Diego County Multifamily Projects**

Address	City	Total		1BR		2BR		3BR	
		Units	Avg SF	Units	Avg SF	Units	Avg SF	Units	Avg SF
Garden Apt.									
501 W Bobier Dr	Vista	290	944	168	815	110	1,108	12	1,244
1401 N Melrose Dr	Vista	410	985	190	793	200	1,130	20	1,358
1925 Avenida Escaya	Chula Vista	272	961	141	790	111	1,068	20	1,569
2760 Lake Pointe Dr	Spring Valley	88	1,067	14	743	59	1,081	15	1,315
Stacked Flats									
10785 Pomerado Rd.	San Diego	84	1,161	9	897	63	1,160	12	1,366
9865 Eerma Rd.	San Diego	114	895	64	767	50	1,059	0	0
2414 Escondido Blvd.	Escondido	76	962	36	766	34	1,100	6	1,353
2043 Artisan Way	Chula Vista	272	969	149	827	105	1,102	18	1,371
1629 Santa Venetia St.	Chula Vista	300	972	129	731	129	1,097	42	1,330
1660 Metro Ave.	Chula Visa	309	1,022	189	841	111	1,302	9	1,380
300 Town Center Pky.	Santee	172	949	52	700	84	1,010	36	1,166
Stacked Flats on Podium									
6850 Mission Gorge	San Diego	444	986	220	787	158	1,107	66	1,363
700 W Grand Ave	Escondido	126	1,095	63	649	55	1,486	8	1,925
152 N Twin Oaks Valley Rd	San Marcos	0	0	0	0	32	1,235	86	1,431
650 N Centre City Pky	Escondido	112	1,012	60	863	52	1,184	0	0
10625 Calle Mar De Mariposa	San Diego	384	1,001	192	835	128	1,132	64	1,239
Source: Costar, project websites, AECOM									

**Table 20. For-Rent Residential Prototypes**

	<b>Garden 20 (Rent)</b> Garden Apt.	<b>Flats 30 (Rent)</b> Stacked Flats	<b>Podium 45 (Rent)</b> Stacked Flats on Podium
Equivalent General Plan	Village Residential	Village Residential	Outside Max GPA
Designation	20 (VR 20)	30 (VR 30)	Designation
DU/AC	20	30	45
Implied Lot/Unit Size	2,180	1,450	970
Average Project Size (Units)	265	190	237
Bedrooms	1,2,3	1,2,3	1,2,3
Average Unit Size (Sq.Ft.)	973	985	1,044
1BR	800	790	800
2BR	1,100	1,130	1,180
3BR	1,390	1,300	1,370
Stories	2-3	3-4	4-5
Parking Type	Surface	Surface/Tuck	Surface/Structure

Source: AECOM analysis of recently-constructed San Diego County Rental Projects

### 6.2.2.3 Market Revenue Assumptions

Market pricing for for-sale projects was derived from analysis of home sale transactions in each of the residential product categories. For GPA projects, the set included 120 transactions that took place between 2018 and 2020 within GPA project areas within unincorporated San Diego County. The assumed pricing resulting from this analysis is shown in Table 21. Background transaction data for the analysis can be found in the Appendix.

**Table 21. GPA Projects: For-Sale Pricing Assumptions**

	<b>SFD 2.9 (Sale)</b> Single-Family Detached	<b>SFD 4.3 (Sale)</b> Single-Family Detached	<b>SFD 7.3 (Sale)</b> Single-Family Detached	<b>Condo 10.9 (Sale)</b> Detached Condos	<b>TH-15 (Sale)</b> Attached Townhomes
Sales Price/Unit	\$780,000	\$700,000	\$630,000	\$540,000	\$520,000
Sales Price/Sq.Ft.	\$223	\$219	\$286	\$284	\$325

Source: AECOM analysis of sales transactions 2018-2020 in San Diego County GPA Projects

For non-GPA projects, the set included 127 transactions that took place between 2019 and 2020 outside GPA areas but still within unincorporated San Diego County. The assumed pricing resulting from this analysis is shown in Table 22. Background transaction data for the analysis can be found in the Appendix.

**Table 22. Non-GPA Projects: For-Sale Pricing Assumptions**

	<b>SFD 2.9 (Sale)</b> Single-Family Detached	<b>SFD 4.3 (Sale)</b> Single-Family Detached	<b>SFD 7.3 (Sale)</b> Single-Family Detached	<b>Condo 10.9 (Sale)</b> Detached Condos	<b>TH-15 (Sale)</b> Attached Townhomes
Sales Price/Unit	\$660,000	\$660,000	\$610,000	\$570,000	\$460,000
Sales Price/Sq.Ft.	\$275	\$270	\$222	\$239	\$302

Source: AECOM analysis of sales transactions 2019-2020 in Non-GPA projects in Unincorporated San Diego County

Market pricing for multifamily rental projects is based on an analysis of asking rents for units from the project set shown in Table 19. The Assumed rents resulting from this analysis are shown in Table 23 and background data for the analysis can be found in the Appendix.

**Table 23. GPA Projects: Rental Project Rent Assumptions**

	<b>Garden 20 (Rent)</b> Garden Apt.	<b>Flats 30 (Rent)</b> Stacked Flats	<b>Podium 45 (Rent)</b> Stacked Flats on Podium
<b>Average Rent/Unit</b>	\$2,260	\$2,393	\$2,582
1BR	\$2,034	\$2,086	\$2,275
2BR	\$2,401	\$2,588	\$2,676
3BR	\$2,936	\$3,042	\$3,138
<b>Average Rent/Sq.Ft.</b>	\$2.32	\$2.43	\$2.47
1BR	\$2.54	\$2.64	\$2.84
2BR	\$2.18	\$2.29	\$2.27
3BR	\$2.11	\$2.34	\$2.29

Source: AECOM analysis of recently-constructed San Diego County Rental Projects

#### 6.2.2.4 Affordable Price and Rent Assumptions

Affordable sales prices and rents used in the analysis have been estimated based on established practices for determining affordable housing eligibility by income tier, which can be found in California Health and Safety Code Section 50052.5. In addition, AECOM referenced published sales price and rent schedules provided the U.S. Department of Housing and Urban Development (HUD) and the San Diego County Housing and Community Development Services.

Supportable housing cost is calculated by multiplying household income by a factor that allocates a percentage to housing costs. This factor differs by household income tier. The household income tiers used in the analysis correspond to Area Median Incomes (AMI) for household by household size in the County. Most housing policy focuses on households in the ranges of Very Low (<50% AMI), Low (50-80% AMI), and Moderate (80-120%). AMI, which is published annually by HUD and the San Diego County Housing and Community Development Services department, is the midpoint of a region's income distribution.

For this study, the analysis considers AMI tiers for very-low income households (<50% AMI), low-income households (50-80% AMI), moderate-income households (80-120% AMI), and middle-income households (120-150% AMI). The calculations for supportable housing cost by income tier are shown on Table 24.



**Table 24. Housing Cost Affordability by Income Tier**

	<b>Very Low 30%-50% AMI</b>	<b>Low 50%-80% AMI</b>	<b>Moderate 80%-120% AMI</b>	<b>Middle Income 120%-150% AMI</b>
AMI % for calculating qualifying income <sup>1,2</sup>	50%	70%	110%	135%
Share of Qualifying Income Towards Housing <sup>1,2</sup>	30%	30%	35%	35%
Qualifying Income <sup>3</sup>				
1-Person Household (Studio)	\$40,450	\$56,600	\$71,400	\$87,600
2-Person Household (1BR)	\$46,200	\$64,700	\$81,600	\$100,100
3-Person Household (2BR)	\$52,000	\$72,750	\$91,750	\$112,650
4-Person Household (3BR)	\$57,750	\$80,850	\$101,950	\$125,150
5-Person Household (4BR)	\$62,400	\$87,300	\$110,150	\$135,150
Housing Cost/Year				
1-Person Household (Studio)	\$12,135	\$16,980	\$24,990	\$30,660
2-Person Household (1BR)	\$13,860	\$19,410	\$28,560	\$35,035
3-Person Household (2BR)	\$15,600	\$21,825	\$32,113	\$39,428
4-Person Household (3BR)	\$17,325	\$24,255	\$35,683	\$43,803
5-Person Household (4BR)	\$18,720	\$26,190	\$38,553	\$47,303
(1) Affordable and moderate incomes: AMI percentage basis for calculating qualifying income and housing allocation from CA Health and Safety Code Section 50052.5.				
(2) Middle-income: AMI basis of 135% is the half-way point between 120 and 150% AMI.				
(3) Qualifying income for 50% and 70% AMI tiers sourced from U.S. Department of Housing and Urban Development 2020 for San Diego Housing Commission; for 110% and 135% tiers, AECOM calculated based on 2020 AMI of \$92,700 and HUD's methodology for scaling for 1-, 2-, 3-, and 5-person households.				

Estimation of supportable affordable housing costs also requires consideration of other housing-related expenses, such as (for for-sale units) property taxes, home-owners insurance, maintenance/HOA Fees, and (for both rental and for-sale units) utilities costs.

The utilities allowance for the San Diego Housing Authority is provided annually by HUD and is shown in the Appendix in Table 48. AECOM has provided costs for property taxes, HOA fees, and homeowner's insurance based on market research and experience with similar projects. These expenses are deducted from estimated housing costs to calculate a supportable monthly payment for a mortgage. A down payment of 5 percent, which is a standard lender requirement for affordable units, is used to calculate the overall supportable housing price for all units. The resulting supportable sales prices and calculations are shown on Table 25. The supportable rent estimates are shown in Table 26.

**Table 25. Supportable Sales Price by Affordable Income Tier**

<b>Annual</b>	<b>Very Low @50% AMI</b>	<b>Low @80% AMI</b>	<b>Moderate @110% AMI</b>	<b>Middle Income @135% AMI</b>
<b>Allocated Housing Cost<sup>1</sup></b>				
1-Person Household (Studio)	\$12,135	\$19,410	\$24,990	\$30,660
2-Person Household (1BR)	\$13,860	\$22,185	\$28,560	\$35,035
3-Person Household (2BR)	\$15,600	\$24,960	\$32,113	\$39,428
4-Person Household (3BR)	\$17,325	\$27,720	\$35,683	\$43,803
5-Person Household (4BR)	\$18,720	\$29,940	\$38,553	\$47,303
<b>Utilities<sup>1</sup></b>				
1-Person Household (Studio)	\$2,464	\$2,464	\$2,464	\$2,464
2-Person Household (1BR)	\$2,960	\$2,960	\$2,960	\$2,960
3-Person Household (2BR)	\$3,476	\$3,476	\$3,476	\$3,476
4-Person Household (3BR)	\$4,240	\$4,240	\$4,240	\$4,240
5-Person Household (4BR)	\$4,748	\$4,748	\$4,748	\$4,748
<b>HOA<sup>2</sup></b>	\$1,500	\$1,500	\$1,500	\$1,500
<b>Home Owners Insurance<sup>3</sup></b>	\$2,000	\$2,000	\$2,000	\$2,000
<b>Property Tax<sup>4</sup></b>				
1-Person Household (Studio)	\$1,027	\$2,239	\$3,167	\$4,111
2-Person Household (1BR)	\$1,232	\$2,618	\$3,678	\$4,756
3-Person Household (2BR)	\$1,436	\$2,993	\$4,184	\$5,402
4-Person Household (3BR)	\$1,595	\$3,325	\$4,651	\$6,003
5-Person Household (4BR)	<u>\$1,744</u>	<u>\$3,611</u>	<u>\$5,045</u>	<u>\$6,501</u>
<b>Available for Mortgage Payment</b>				
<b>1-Person Household (Studio)</b>	<b>\$5,144</b>	<b>\$11,208</b>	<b>\$15,859</b>	<b>\$20,585</b>
<b>2-Person Household (1BR)</b>	<b>\$6,168</b>	<b>\$13,107</b>	<b>\$18,422</b>	<b>\$23,819</b>
<b>3-Person Household (2BR)</b>	<b>\$7,189</b>	<b>\$14,991</b>	<b>\$20,952</b>	<b>\$27,049</b>
<b>4-Person Household (3BR)</b>	<b>\$7,990</b>	<b>\$16,655</b>	<b>\$23,292</b>	<b>\$30,060</b>
<b>5-Person Household (4BR)</b>	<b>\$8,729</b>	<b>\$18,081</b>	<b>\$25,260</b>	<b>\$32,554</b>
<b>Supportable Mortgage<sup>5</sup></b>				
1-Person Household (Studio)	\$88,708	\$193,287	\$273,509	\$355,018
2-Person Household (1BR)	\$106,375	\$226,046	\$317,703	\$410,780
3-Person Household (2BR)	\$123,974	\$258,536	\$361,344	\$466,499
4-Person Household (3BR)	\$137,797	\$287,230	\$401,693	\$518,417
5-Person Household (4BR)	\$150,533	\$311,823	\$435,637	\$561,424
<b>Down Payment<sup>6</sup></b>	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>
<b>Supportable Sales Price (rounded)</b>				
<b>1-Person Household (Studio)</b>	<b>\$93,400</b>	<b>\$203,500</b>	<b>\$287,900</b>	<b>\$373,700</b>
<b>2-Person Household (1BR)</b>	<b>\$112,000</b>	<b>\$237,900</b>	<b>\$334,400</b>	<b>\$432,400</b>
<b>3-Person Household (2BR)</b>	<b>\$130,500</b>	<b>\$272,100</b>	<b>\$380,400</b>	<b>\$491,100</b>
<b>4-Person Household (3BR)</b>	<b>\$145,000</b>	<b>\$302,300</b>	<b>\$422,800</b>	<b>\$545,700</b>
<b>5-Person Household (4BR)</b>	<b>\$158,500</b>	<b>\$328,200</b>	<b>\$458,600</b>	<b>\$591,000</b>
(1) Source: U.S. Department of Housing and Urban Development for the Housing Authority of San Diego, 7/1/2019				
(2) AECOM Estimate				
(3) AECOM Estimate				
(4) 1.1% of sales price				
(5) 30-year mortgage, 4.1% rate (based on 10-year average 2010-2019; national average on 9/10/20 is 2.86%)				
(6) 5% down payment a typical minimum for affordable for-sale units				
Source: AECOM				

**Table 26. Supportable Rent by Affordable Income Tier**

<b>Monthly</b>	<b>Very Low @50% AMI</b>	<b>Low @80% AMI</b>	<b>Moderate @110% AMI</b>	<b>Middle Income @135% AMI</b>
<b>Allocated Housing Cost<sup>1,2</sup></b>				
1-Person Household (Studio)	\$1,011	\$1,618	\$2,083	\$2,555
2-Person Household (1BR)	\$1,155	\$1,849	\$2,380	\$2,920
3-Person Household (2BR)	\$1,300	\$2,080	\$2,676	\$3,286
4-Person Household (3BR)	\$1,444	\$2,310	\$2,974	\$3,650
5-Person Household (4BR)	\$1,560	\$2,495	\$3,213	\$3,942
<b>Utilities<sup>1</sup></b>				
1-Person Household (Studio)	\$205	\$205	\$205	\$205
2-Person Household (1BR)	\$247	\$247	\$247	\$247
3-Person Household (2BR)	\$290	\$290	\$290	\$290
4-Person Household (3BR)	\$353	\$353	\$353	\$353
5-Person Household (4BR)	\$396	\$396	\$396	\$396
<b>Available for Rent Payment</b>				
<b>1-Person Household (Studio)</b>	<b>\$806</b>	<b>\$1,413</b>	<b>\$1,877</b>	<b>\$2,350</b>
<b>2-Person Household (1BR)</b>	<b>\$908</b>	<b>\$1,602</b>	<b>\$2,133</b>	<b>\$2,673</b>
<b>3-Person Household (2BR)</b>	<b>\$1,010</b>	<b>\$1,790</b>	<b>\$2,386</b>	<b>\$2,996</b>
<b>4-Person Household (3BR)</b>	<b>\$1,091</b>	<b>\$1,957</b>	<b>\$2,620</b>	<b>\$3,297</b>
<b>5-Person Household (4BR)</b>	<b>\$1,164</b>	<b>\$2,099</b>	<b>\$2,817</b>	<b>\$3,546</b>
(1) Source: U.S. Department of Housing and Urban Development for the Housing Authority of San Diego, 7/1/2019, for Very Low, Low, and Moderate. Middle-income estimate from AECOM, based on income-based allocation to housing expenses				

## 6.2.3 Feasibility Testing for GPA Inclusionary Analysis

### 6.2.3.1 Methodology

Development feasibility analysis, using a static pro forma model to solve for residual land value, provides the technical means for assessing the development economics of a project and for exploring how different assumptions and input factors influence development feasibility. A static pro forma model measures a development project's economics at a single point in time, typically at full absorption for for-sale projects and at leasing stabilization for rental projects.<sup>21</sup> Residual land value is the amount that remains after total project costs (including on- and off-site work, vertical construction costs, indirect costs, financing costs, and expected project return) are subtracted from project revenues. Residual land value represents the cost that a developer should be willing to pay for raw land given project economics.

AECOM created pro forma models for each residential product type noted in Table 18 and Table 20 using current market sales prices and rents (as shown in Table 21 and Table 23), estimated affordable prices and rents (as shown in Table 25 and Table 26), current development costs, and standard developer return expectations to simulate the development economics faced by private market developers under current market conditions.

Each product type is analyzed under a Base Case scenario and 14 different inclusionary housing scenarios. The Base Case is a feasible all-market-rate project, while the set-aside scenarios differ by income tier (Very Low Income, Low Income, Moderate Income) by set-aside amount (between 5% and 20% of total units), and by combination of income tier categories. The set-aside scenarios are intended to

<sup>21</sup> The advantage of a static pro forma model compared with a cashflow pro forma model is its simplicity, which allows for easy comparison of different projects. A cashflow pro forma model also considers the impact of time on project returns and is particularly suited to assessing projects where timing-related risk must be considered or quantified (e.g., for complex projects with long entitlement processes, where absorption or lease-up timing is a critical component of project returns, or where land carry costs may be considerable). However, because timing-related issues are extremely variable and closely tied to the project itself, and because typical returns measures used in cashflow analysis, including IRR (internal rate of return) and NPV (net present value), are extremely sensitive to small variations in inputs, static pro forma models are generally preferred for planning-level analysis.

test a wide range of options and encompass the range of requirements found in other peer jurisdictions with inclusionary zoning. The 14 tested scenarios are shown in Table 27. For reference, the mandatory set-aside requirement of peer jurisdictions can be found in Table 14.

**Table 27. Affordable Set-Aside Scenarios Tested**

Scenario	Set-Aside Amount			Total
	Very Low @50% AMI	Low @70% AMI	Moderate @110% AMI	
1	5%	0%	0%	5%
2	0%	5%	0%	5%
3	5%	5%	0%	10%
4	0%	5%	5%	10%
5	0%	10%	0%	10%
6	5%	5%	5%	15%
7	10%	5%	0%	15%
8	5%	10%	0%	15%
9	0%	10%	5%	15%
10	5%	10%	5%	20%
11	10%	5%	5%	20%
12	10%	10%	0%	20%
13	0%	10%	10%	20%
14	0%	15%	5%	20%

Source: AECOM

#### 6.2.3.2 Standard of Feasibility

In this analysis, to be “feasible,” a program should, to the extent possible, meet two standards: a legal standard and an economic standard.

- The legal standard stems from court rulings that have upheld the legality of inclusionary housing ordinances as a means of providing affordable housing. The courts have also determined that such programs may not deprive an owner of “all economically beneficial use” of the land. However, because a more precise definition for “all economically beneficial use” has not been established, there is both uncertainty and flexibility in how this standard should be applied. Applying the standard is further complicated by the fact that a GPA project is one in which the applicant typically seeks a zoning change that may vastly increase the revenue-generating potential of the land. However, this increase is offset by varying degrees by land development costs including entitlements, infrastructure, grading, and environmental mitigation, which vary vastly by site and which are typically deducted from estimated project value to derive a feasible land value. An affordable housing requirement that lowers the value of the land as compared to an all-market-rate project may nevertheless result in land value that’s still substantially higher than the market value of the land prior to the zone change. AECOM recommends that the County engage legal counsel to further explore how this legal standard may best be applied.
- The economic standard is based on the County’s goal that an inclusionary housing program should, to the extent possible, not have a negative impact on overall housing production. An affordable set-aside requirement that is considered economically onerous by the development and landowner communities will likely result in a decrease in housing production for two reasons: investors may look elsewhere for opportunities that offer higher return potential and less risk, and landowners may be unwilling to accept a lowered land value resulting from the inclusionary requirements and choose to hold rather than sell property. It should be noted that landowners for proposed GPA projects may be less price-sensitive to a decrease in land value from inclusionary requirements than landowners for by-right projects, because up-zoning through the GPA project entitlement can add considerable land value even after the net impact of inclusionary requirements.

The fundamental challenge in applying either the legal or economic standard is the fact that every set-aside scenario results in a lower estimated return than the Base Case. Affordable set-aside units are income-restricted and generate less revenue than market-rate units. Therefore, a determination about whether a project is feasible is essentially an evaluation of how to balance the extent to which landowners and developers will subsidize affordable housing development out of return and land value expectations.

To explore this balance, AECOM has assessed the set-aside scenarios using two screens for evaluation.

1. An established approach to determining economic feasibility, which has been employed in other inclusionary housing studies, is to set a feasibility threshold of 30 percent reduction in land value: if a scenario lowers residual land value by less than 30 percent compared to the Base Case (where the base case achieves a typical market return for a GPA project), then it is considered feasible. This approach meets the economic standard of feasibility by assuming landowners will absorb up to a 30 percent loss in value without a change in their willingness to sell. It should be noted that, while in other jurisdictions with inclusionary programs there is evidence that transacted land value does eventually shift to accommodate the impact of inclusionary requirements, the transition can be prolonged as land markets are typically “sticky” and slow to reflect factor changes. This tendency can be exacerbated where there is long-term land ownership and owners are accustomed to waiting out market fluctuations.<sup>22</sup>
2. The legal standard that an inclusionary program should not deprive a developer of “all economically beneficial use” can be considered by using a return on cost approach, whereby the Base Case land value is assumed, and the impacts of each set-aside scenario are measured through return on costs (ROC): if ROC is negative, then all economic value has been deprived. Conversely, if ROC is positive, then some economic value has been preserved, and the set-aside scenario is potentially feasible. While this approach preserves the land-seller’s return, it places the onus of subsidizing the set-aside units squarely on the developer.

### 6.2.3.3 Analysis

#### 6.2.3.3.1 Impact of Affordable Set-Aside on Residual Land Value

For each of the eight prototype alternatives, AECOM created a “Base Case” with which to compare impacts of different affordable set-asides. The Base Case is an all-market-rate project, representing an estimate of developer economics without any set-aside for affordable units. The Base Case assumes a developer return on costs before land of 10 percent, which represents a common investment threshold<sup>23</sup> and basis from which to derive a residual land value (RLV) output. A summary of the Base Case scenario for each residential prototype is shown in Table 28. Full Base Case pro formas are also shown in the Appendix.

**Table 28. Base Case (All-Market-Rate) Residual Land Value by Residential Type**

Prototype	SFD 2.9 (Sale)	SFD 4.3 (Sale)	SFD 7.3 (Sale)	Condo 10.9 (Sale)	TH-15 (Sale)	Garden 20 (Rent)	Flats 30 (Rent)	Podium 45 (Rent)
Unit Size (Sq.Ft.)	3,500	3,200	2,200	1,900	1,600	973	985	1,044
DUAC	2.9	4.3	7.3	10.9	15.0	20	30	45
<b>Prototype Economics</b>								
Value/Unit (after broker and closing fee)	\$757,000	\$679,000	\$611,000	\$524,000	\$504,000	\$414,000	\$439,000	\$473,000
Cost/Unit Before Profit and Land	\$659,000	\$548,000	\$372,000	\$338,000	\$298,000	\$235,000	\$258,000	\$337,000
Return at 10% of Cost Before Land	<u>\$66,000</u>	<u>\$55,000</u>	<u>\$37,000</u>	<u>\$34,000</u>	<u>\$30,000</u>	<u>\$24,000</u>	<u>\$26,000</u>	<u>\$34,000</u>
Total Cost/Unit Before Land	\$725,000	\$603,000	\$409,000	\$372,000	\$328,000	\$259,000	\$284,000	\$371,000
Residual Land Value/Unit	\$32,000	\$76,000	\$202,000	\$152,000	\$176,000	\$155,000	\$155,000	\$102,000
Residual Land Value/gross land sf	\$1.35	\$5	\$22	\$25	\$40	\$46	\$70	\$69

As indicated in Table 28, estimated RLV per unit differs widely by product type with values generally following a spectrum of lower land values for lower-density products and higher values for higher-density products. For example, for an SFD for-sale project at a density of 4.3 units per acre, the residual land value is \$5 per land square foot, whereas for a rental flats project at 30 units per acre, the residential land value is \$70 per land square foot.

<sup>22</sup> One possible critique of this approach to determining feasibility is it does not evaluate GPA project returns against a return standard of what might be achievable from developing the land at by-right densities or uses. But GPA projects, arguably, are so different from the default by-right projects on the same land as to not be directly comparable. Specifically, the investment, market, and entitlement risks and requirements necessary to realize the new entitlement, and the fiscal and economic benefits that may result, are unique in scale and scope and thus deserving of their own evaluation standard. Furthermore, the by-right zoning may not correlate with consistent market value because of site factors that impede development, and so the basis for comparison is not reliably consistent.

<sup>23</sup> For some developers and investors, the 10 percent hurdle is aggressive, and for others, it may be conservative as risk and return expectations differ by project and project conditions. For the purpose of this planning-level analysis, which must be standardized to apply to GPA projects throughout the unincorporated area, the 10 percent hurdle offers a common threshold measure of return and basis from which to derive residual land value.

In order to estimate total RLV for a typical GPA project featuring a blend of unit types, AECOM developed a prototypical GPA project loosely based on two recent GPA projects in the unincorporated area: the Harmony Grove and Horse Creek Ridge developments. From this, AECOM assumed a mix of units that includes 5 percent SFD 2.9, 5 percent SFD 4.3, 35 percent SFD 7.3, 35 percent Condo 10.9, and 10 percent Garden 20. As shown in Table 29, this results in a Base Case weighted average residual land value of \$26 per land square foot.

**Table 29. Prototypical GPA Project Base Case Residual Land Value Per Land Square Foot**

	SFD 2.9 (Sale)	SFD 4.3 (Sale)	SFD 7.3 (Sale)	Condo 10.9 (Sale)	Garden 20 (Rent)	Total
<b>Unit Mix</b>	5%	5%	35%	35%	20%	<b>100%</b>
<b>Residual Land Value/Sq.Ft.</b>	\$1	\$5	\$22	\$25	\$46	\$26
Source: AECOM						

By comparing the Base Case residual land value (in which the Base Case includes an assumed 10 percent return on costs), with the 14 set-aside scenarios, it is possible to quantify the impact of each on residual land value. As shown in Table 30, the set-aside scenarios reduce residual land value significantly with the lower-density products yielding the greatest negative impact. However, as indicated by the values in bold italic, most of the residential products in most set-aside scenarios yield a loss that falls within the negative 30 percent threshold for feasibility.

**Table 30. Change in Residual Land Value Relative to Base Case by Set-Aside Scenario and by Product Type**

	SFD 2.9 (Sale)	SFD 4.3 (Sale)	SFD 7.3 (Sale)	Condo 10.9 (Sale)	TH-15 (Sale)	Garden 20 (Rent)	Flats 30 (Rent)	Podium 45 (Rent)
<b>Scenario</b>								
<b>1 5% VL</b>	-67%	-33%	<b>-13%</b>	<b>-12%</b>	<b>-11%</b>	<b>-8%</b>	<b>-9%</b>	<b>-13%</b>
<b>2 5% L</b>	-55%	<b>-27%</b>	<b>-10%</b>	<b>-8%</b>	<b>-8%</b>	<b>-5%</b>	<b>-6%</b>	<b>-9%</b>
<b>3 5% VL / 5% L</b>	-121%	-60%	<b>-23%</b>	<b>-20%</b>	<b>-19%</b>	<b>-12%</b>	<b>-14%</b>	<b>-22%</b>
<b>4 5% L / 5% Mod</b>	-89%	-43%	<b>-15%</b>	<b>-12%</b>	<b>-11%</b>	<b>-5%</b>	<b>-6%</b>	<b>-11%</b>
<b>5 10% L</b>	-164%	-53%	<b>-18%</b>	<b>-19%</b>	<b>-15%</b>	<b>-10%</b>	<b>-11%</b>	<b>-21%</b>
<b>6 5% VL / 5% L / 5% Mod</b>	-156%	-76%	<b>-28%</b>	<b>-23%</b>	<b>-22%</b>	<b>-12%</b>	<b>-15%</b>	<b>-11%</b>
<b>7 10% VL / 5% L</b>	-255%	-93%	-32%	-34%	<b>-29%</b>	<b>-20%</b>	<b>-23%</b>	<b>-25%</b>
<b>8 5% VL / 10% L</b>	-230%	-86%	-30%	-30%	<b>-26%</b>	<b>-17%</b>	<b>-20%</b>	<b>-20%</b>
<b>9 10% L / 5% Mod</b>	-198%	-70%	<b>-23%</b>	<b>-22%</b>	<b>-18%</b>	<b>-10%</b>	<b>-12%</b>	<b>-9%</b>
<b>10 5% VL / 10% L / 5% Mod</b>	-265%	-103%	-36%	-34%	<b>-29%</b>	<b>-17%</b>	<b>-20%</b>	<b>-22%</b>
<b>13 10% L / 10% Mod</b>	-267%	-86%	<b>-27%</b>	<b>-26%</b>	<b>-20%</b>	<b>-9%</b>	<b>-12%</b>	<b>-12%</b>
<b>14 15% L / 5% Mod</b>	-253%	-97%	-33%	-31%	<b>-26%</b>	<b>-14%</b>	<b>-17%</b>	<b>-18%</b>
(1) Bold italic = decline in residual land value compared with Base Case is less than the -30% threshold								
Source: AECOM								

By applying the prototypical GPA project product mix shown in Table 29, the impact on residual land value can be estimated on a project-wide basis. As shown in the bold italic in Table 31, 10 of 14 set-aside scenarios indicate a decline in residual land value that is smaller than the negative 30 percent feasibility threshold, and two of 14 are at the feasibility threshold.

**Table 31. Prototypical GPA Project Residual Land Value Per Land Square Foot: Base Case vs. Set-Aside Scenarios**

Scenario	RLV/ Sq.Ft.	Change from Base
<b>Base Case</b>	\$26	
<b>1 5% VL</b>	\$23	<b>-11%</b>
<b>2 5% L</b>	\$24	<b>-8%</b>
<b>3 5% VL / 5% L</b>	\$21	<b>-19%</b>
<b>4 5% L / 5% Mod</b>	\$23	<b>-11%</b>
<b>5 10% L</b>	\$22	<b>-16%</b>
<b>6 5% VL / 5% L / 5% Mod</b>	\$20	<b>-22%</b>
<b>7 10% VL / 5% L</b>	\$18	<b>-30%</b>
<b>8 5% VL / 10% L</b>	\$19	<b>-27%</b>
<b>9 10% L / 5% Mod</b>	\$21	<b>-19%</b>
<b>10 5% VL / 10% L / 5% Mod</b>	\$18	<b>-30%</b>
<b>11 10% VL / 5% L / 5% Mod</b>	\$17	<b>-33%</b>
<b>12 10% VL / 10% L</b>	\$16	<b>-38%</b>
<b>13 10% L / 10% Mod</b>	\$20	<b>-22%</b>
<b>14 15% L / 5% Mod</b>	\$19	<b>-27%</b>
(1) Bold italic = decline in residual land value compared with Base Case is less than the -30% threshold Source: AECOM		

### 6.2.3.3.2 Impact of Affordable Set-Aside on Return on Cost

By assuming Base Case land value, the impact of the set-aside requirements can be compared in terms of return on cost (ROC). As shown in Table 32, measured ROC for each product type and the Prototype GPA project declines significantly from the Base Case standard of ten percent. Of the 14 set-aside scenarios, only five show a positive return and meet the standard that set-aside requirements should not deprive the developer of all economic use. All the remaining scenarios have a negative return on costs.

**Table 32. Return on Cost (Assuming Base Case Land Value)**

	SFD 2.9 (Sale)	SFD 4.3 (Sale)	SFD 7.3 (Sale)	Condo 10.9 (Sale)	TH-15 (Sale)	Garden 20 (Rent)	Flats 30 (Rent)	Podium (Rent)	Prototype GPA <sup>1</sup>
<b>Base Case</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10.0%</b>
<b>5% VL</b>	<b>7%</b>	<b>5%</b>	<b>3%</b>	<b>5%</b>	<b>3%</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>	<b>4.4%</b>
<b>5% L</b>	<b>7%</b>	<b>6%</b>	<b>5%</b>	<b>6%</b>	<b>5%</b>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>5.8%</b>
<b>5% VL / 5% L</b>	<b>4%</b>	<b>2%</b>	<b>-2%</b>	<b>1%</b>	<b>-1%</b>	<b>2%</b>	<b>1%</b>	<b>3%</b>	<b>0.2%</b>
<b>5% L / 5% Mod</b>	<b>6%</b>	<b>4%</b>	<b>2%</b>	<b>5%</b>	<b>4%</b>	<b>7%</b>	<b>6%</b>	<b>7%</b>	<b>4.1%</b>
<b>10% L</b>	<b>2%</b>	<b>3%</b>	<b>0%</b>	<b>2%</b>	<b>1%</b>	<b>4%</b>	<b>3%</b>	<b>4%</b>	<b>1.7%</b>
<b>5% VL / 5% L / 5% Mod</b>	<b>3%</b>	<b>-1%</b>	<b>-5%</b>	<b>-1%</b>	<b>-3%</b>	<b>2%</b>	<b>1%</b>	<b>7%</b>	<b>-1.6%</b>
<b>10% VL / 5% L</b>	<b>-2%</b>	<b>-3%</b>	<b>-8%</b>	<b>-5%</b>	<b>-7%</b>	<b>-3%</b>	<b>-4%</b>	<b>2%</b>	<b>-5.4%</b>
<b>5% VL / 10% L</b>	<b>-1%</b>	<b>-2%</b>	<b>-6%</b>	<b>-4%</b>	<b>-5%</b>	<b>-1%</b>	<b>-2%</b>	<b>4%</b>	<b>-3.9%</b>
<b>10% L / 5% Mod</b>	<b>1%</b>	<b>0%</b>	<b>-2%</b>	<b>0%</b>	<b>0%</b>	<b>4%</b>	<b>3%</b>	<b>7%</b>	<b>-0.1%</b>
<b>5% VL / 10% L / 5% Mod</b>	<b>-3%</b>	<b>-4%</b>	<b>-9%</b>	<b>-5%</b>	<b>-7%</b>	<b>-1%</b>	<b>-2%</b>	<b>3%</b>	<b>-5.7%</b>
<b>10% VL / 5% L / 5% Mod</b>	<b>-4%</b>	<b>-5%</b>	<b>-11%</b>	<b>-7%</b>	<b>-9%</b>	<b>-3%</b>	<b>-4%</b>	<b>1%</b>	<b>-7.2%</b>
<b>10% VL / 10% L</b>	<b>-7%</b>	<b>-7%</b>	<b>-12%</b>	<b>-10%</b>	<b>-11%</b>	<b>-7%</b>	<b>-7%</b>	<b>-2%</b>	<b>-9.5%</b>
<b>10% L / 10% Mod</b>	<b>-3%</b>	<b>-2%</b>	<b>-5%</b>	<b>-2%</b>	<b>-2%</b>	<b>4%</b>	<b>3%</b>	<b>6%</b>	<b>-1.7%</b>
<b>15% L / 5% Mod</b>	<b>-2%</b>	<b>-3%</b>	<b>-8%</b>	<b>-4%</b>	<b>-5%</b>	<b>1%</b>	<b>0%</b>	<b>4%</b>	<b>-4.2%</b>
(1) Product mix for Prototype GPA: 5% SFD 2.9, 5% SFD 4.3, 35% SFD 7.3, 35% Condo 10.9, 20% Garden 20 (2) Bold italic indicates non-negative ROC Source: AECOM									

### 6.2.3.3.3 Feasibility Summary

In summary, the feasibility findings for the 14 set-aside scenarios are shown in Table 33. As tested, five scenarios meet both feasibility standards, and 12 scenarios meet only the residual value decline standard.



**Table 33. Feasibility Summary**

	<b>RLV Decline &gt; -30%</b>	<b>ROC &gt; 0%</b>
5% VL	Yes	Yes
5% L	Yes	Yes
5% VL / 5% L	Yes	Yes
5% L / 5% Mod	Yes	Yes
10% L	Yes	Yes
5% VL / 5% L / 5% Mod	Yes	No
10% VL / 5% L	Yes	No
5% VL / 10% L	Yes	No
10% L / 5% Mod	Yes	No
5% VL / 10% L / 5% Mod	Yes	No
10% VL / 5% L / 5% Mod	No	No
10% VL / 10% L	No	No
10% L / 10% Mod	Yes	No
15% L / 5% Mod	Yes	No

Source: AECOM

### 6.2.4 Density Increase Required to Offset Set-Aside Scenarios

The most successful inclusionary zoning programs, as noted in the literature review, provide the developer with concessions or incentives that can lower development cost and/or increase revenue to help offset revenues lost due to the affordable units. This is the approach taken by the SDBL, which provides a graduated schedule of concessions and density bonuses in exchange for increasing levels of affordable set-aside. However, because GPA projects feature all discretionary entitlements, they do not provide a baseline of existing by-right standards on which to base an incentive schedule or offset program.

Nonetheless, as shown in the literature review, the most successful inclusionary housing programs pair inclusionary set-aside requirements with offsets to help developer and land-owner applicants underwrite feasible projects. One strategy the County might pursue is to permit higher-density development and more dwelling units for GPA projects than it otherwise would consider. To illustrate this, AECOM calculated the additional density required to generate project-wide residual land value equivalent to the Base Case scenario for each of the 12 set-aside scenarios identified in Table 33 that generate residual land values less than the threshold of negative 30 percent decline from base.

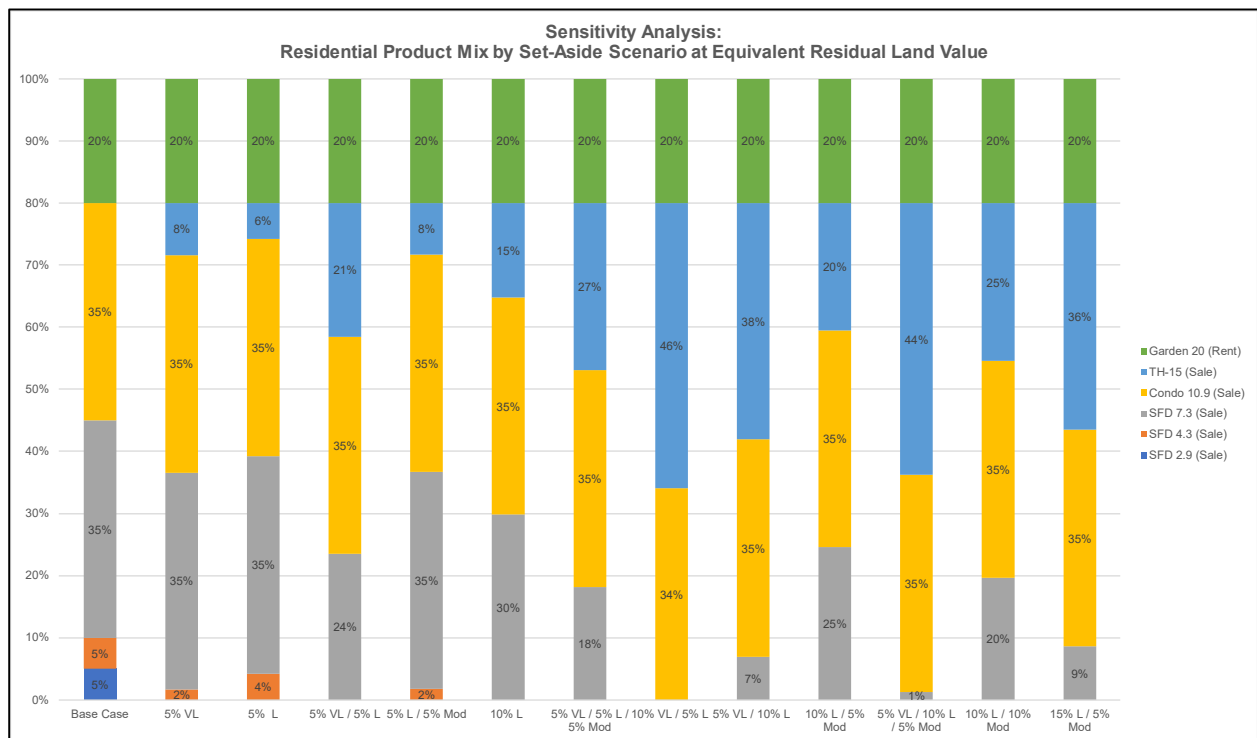
To prepare this illustrative analysis, AECOM made several assumptions:

- The prototype GPA project features the Base Case product mix indicated in Table 29.
- Assumed land area is 380 acres of which 65 percent is allocated to residential lots and the remainder is left for amenities, circulation, and open space.
- Equivalent residual land value between the Base Case and set-aside scenarios is accomplished by changing the product mix to feature more higher-density units. This is executed specifically by increasing the proportion of townhome units, which return a higher residual land value per unit than lower-density products, and decreasing the proportion of SFD 2.9, SFD 4.3, and SFD 7.3 units.

As shown in Figure 14, the scenarios with the greatest amount of affordable set-aside require nearly all units to be at densities at or above 10.9 dwelling units per acre to achieve an equivalent land value with the Base Case.

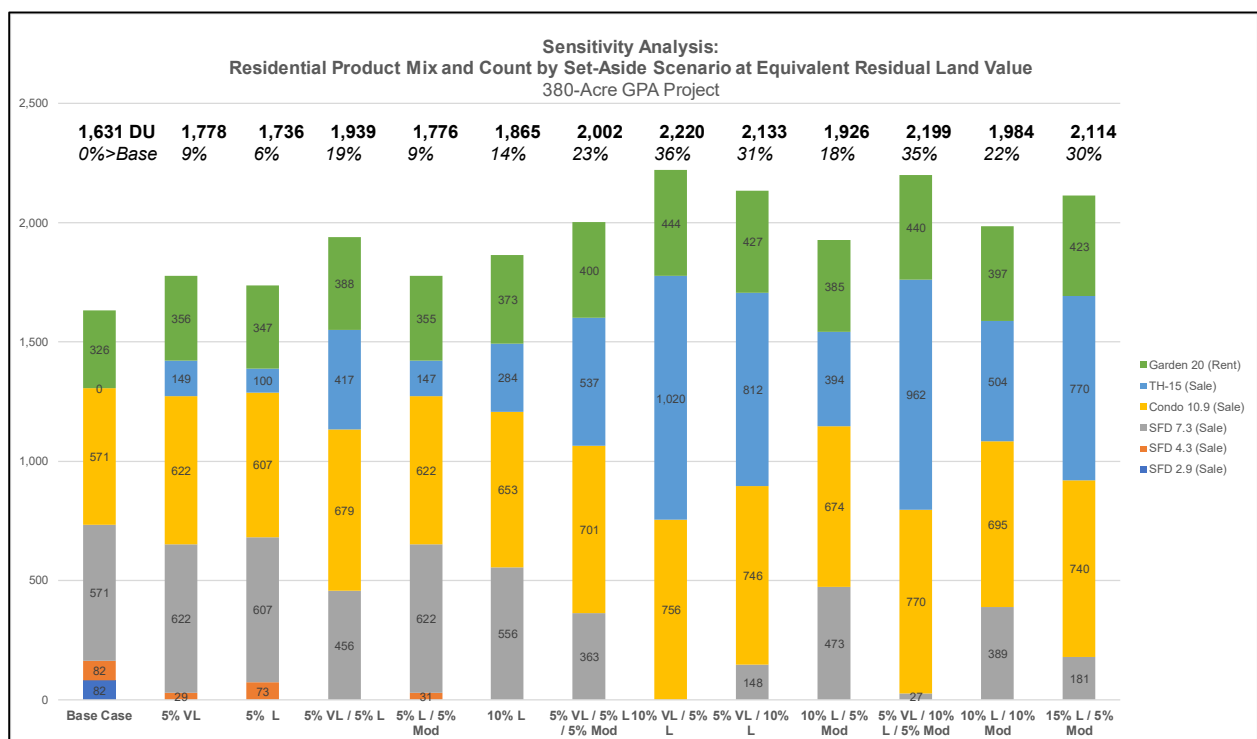


**Figure 14. Product Mix Comparison at Equivalent land Value for Base Case and Set-Aside Scenarios**



Adjusting the unit mix in each set-aside scenario so that land value is equivalent to Base Case land value also results in a significant increase in unit count. As shown in Figure 15, the set-aside scenarios require a unit increase over the Base Case ranging from 6 percent for the 5 percent low income set-aside scenario to 36 percent for the 10 percent Very Low / 5 percent Low scenario.

**Figure 15. Unit Count Comparison at Equivalent land Value for Base Case and Set-Aside Scenarios**



## 6.2.5 GPA Inclusionary In-Lieu Fee Analysis

An in-lieu fee option is proposed as a means of complying with the negotiated (for Option 1) or pre-scheduled (Option 2) set-aside requirements. Depending on policy goals, an in-lieu fee can be set to represent the equivalent incremental cost over market-rate to building the required unit on-site, which offers a developer the maximum flexibility in complying with policy. Alternately, a fee that is lower than providing a unit onsite will provide an incentive to pay it, while a higher fee may create an incentive for onsite development.

Affordability gap analysis is a common methodology used for establishing an in-lieu fee. The affordability gap is the value variance between a market-rate unit and a rent-restricted unit, which is then amortized over the market-rate portion of total units to establish the basis for a fee. As an illustrative example, for a ten-unit project subject to a ten percent set-aside, one of the ten units must be affordable. If the affordability gap between market-rate and affordable units is \$180,000, each of the 9 market-rate units incurs a \$20,000 fee to cover the affordability gap. An in-lieu fee schedule is developed using a similar analysis using an affordability gap assumption that generally represents a jurisdiction's overall market.

In practice, the affordability gap differs by residential product, by market geography, by affordability tier, and by the amount of set-aside—all factors that can increase or decrease the difference between market value and affordable value. Consequently, an in-lieu fee schedule represents—at best—a generalized estimate of the actual affordability gap. As a result, for some projects, the scheduled fee may offer a financial advantage over building on-site, while for other projects, the economics of on-site development might be preferable.

As shown in Table 34, in-lieu fee estimates vary by prototype and by set-aside scenario. The weighted average fee, based on the prototypical GPA project described in Table 29, also ranges widely, from a low of \$7.41 per GBA square foot for the 5 percent low income set-aside to \$27.93 per GBA square foot for the 5 percent very low / 10 percent low / 5 percent moderate scenario.

**Table 34. Implied In-Lieu Fees for a Prototypical GPA Project by GBA Square Foot by Set-Aside Scenario**

	SFD 2.9 (Sale)	SFD 4.3 (Sale)	SFD 7.3 (Sale)	Condo 10.9 (Sale)	TH-15 (Sale)	Garden 20 (Rent)	Flats 30 (Rent)	Podium (Rent)	Avg: Prototype GPA Project
<b>5% VL</b>	\$8.61	\$8.41	\$10.69	\$10.08	\$11.37	\$9.70	\$10.62	\$11.26	<b>\$10.06</b>
<b>5% L</b>	\$7.05	\$6.82	\$8.38	\$7.41	\$8.19	\$5.95	\$6.92	\$7.72	<b>\$7.41</b>
<b>5% VL / 5% L</b>	\$15.66	\$15.23	\$19.07	\$17.49	\$19.55	\$15.64	\$17.55	\$18.99	<b>\$17.47</b>
<b>5% L / 5% Mod</b>	\$11.50	\$11.02	\$12.95	\$10.40	\$11.13	\$5.72	\$7.76	\$9.62	<b>\$10.44</b>
<b>10% L</b>	\$14.09	\$13.64	\$16.76	\$14.81	\$16.37	\$11.96	\$13.75	\$15.36	<b>\$14.83</b>
<b>5% VL / 5% L / 5% Mod</b>	\$20.11	\$19.43	\$23.64	\$20.48	\$22.50	\$15.39	\$18.40	\$20.89	<b>\$20.50</b>
<b>10% VL / 5% L</b>	\$24.66	\$23.65	\$29.55	\$27.74	\$30.78	\$25.47	\$27.98	\$30.48	<b>\$27.56</b>
<b>5% VL / 10% L</b>	\$22.31	\$22.06	\$27.66	\$24.73	\$27.88	\$21.55	\$24.51	\$26.32	<b>\$24.86</b>
<b>10% L / 5% Mod</b>	\$19.19	\$17.84	\$20.98	\$18.08	\$19.09	\$11.87	\$14.37	\$17.73	<b>\$17.90</b>
<b>5% VL / 10% L / 5% Mod</b>	\$27.36	\$26.26	\$31.92	\$27.97	\$30.62	\$21.43	\$25.16	\$28.65	<b>\$27.93</b>
<b>10% L / 10% Mod</b>	\$23.00	\$22.05	\$25.89	\$20.79	\$22.27	\$11.57	\$15.25	\$18.97	<b>\$20.91</b>
<b>15% L / 5% Mod</b>	\$26.11	\$24.67	\$29.45	\$25.42	\$27.34	\$17.75	\$21.37	\$25.34	<b>\$25.29</b>

Source: AECOM

This analysis is intended only as a starting point for determining an in-lieu fee. A separate in-lieu fee study following selection or adoption of inclusionary set-aside requirements is recommended to properly calibrate the fee to address specific policy goals.

## 6.2.6 Financing Gap Analysis to Support Housing Element Site Inventory

The California Department of Housing and Community Development (HCD) requires that jurisdictions identify sites in the General Plan Housing Element that can accommodate their share of the regional housing need for lower-income households. The Housing Element must include an analysis that demonstrates the identified zones and densities are able to facilitate the development of affordable housing. The recommended density at which metropolitan jurisdictions, including San Diego County, can best accommodate affordable housing is 30 dwelling units per acre or greater.

However, previous studies on affordable housing in the unincorporated areas of the County concluded that garden style apartments at a density of 20-24 dwelling units per acre were the most feasible residential product type for the accommodation of affordable housing.

To support the County's efforts to update the Housing Element, AECOM compared the financing gap between affordable and market-rate units of three residential product types at densities ranging from 20 to 45 dwelling units per acre at Very Low (50% AMI), and Low (80% AMI) rents. The financing gap represents the difference in returns between market-rate products and the equivalent rent-restricted unit.

Table 35 shows the financing gap for the three residential product types at rents established by HUD/HCD for 50% AMI and 80% AMI. The results show that at both levels of affordability, garden apartments represent the smallest financing gap. This indicates that as tested, the garden style apartments at 20-24 dwelling units per acre are best able to accommodate affordable rents.

**Table 35: Financing Gap between Market Rate and Affordable Units**

<b>Residential Product Type</b>	<b>Very Low Income (50% AMI)</b>	<b>Low Income (80% AMI)</b>
Garden Style Apartment (20-24 DU/AC)	-\$190,000	-\$81,000
Stacked Flats (30 DU/AC)	-\$208,000	-\$99,000
Stacked Flats on Podium (45 DU/AC)	-\$235,000	-\$124,000
<i>Source: AECOM</i>		

## 6.3 Middle Income Density Bonus Analysis

### 6.3.1 Overview

The Board Directive requests analysis of the potential to expand the existing Density Bonus program to target middle-income individuals and families earning between 120% and 150% AMI. This would entail amending the County's Zoning Ordinance to go beyond state law.

The purpose of this initiative is to address concerns that housing affordable to middle income households is not being produced in the current market environment. One standard to test the applicability of this policy is to compare estimated supportable sales prices and rents (at 135% AMI as discussed above) for the middle-income tier with actual market sales prices and rents. If market costs are below housing costs supportable by middle-income households, then the policy is not needed, as the market is already supplying units that are affordable to households with income at 135 percent AMI.

In Table 36, market sales prices for five residential prototypes in GPA areas are compared with supportable sales prices for moderate and middle-income households. The three largest residential products, SFD 2.9, SFD 4.3, and SFD 7.3, which average \$780,000, \$700,000, and \$630,000 per unit respectively, are more expensive than the supportable middle-income cost of \$591,000 for a four-bedroom home and \$545,700 for a three-bedroom home. However, condo and townhome units, at \$540,000 and \$520,000 respectively, are equivalent to or less expensive than the supportable middle-income cost of \$545,700.

**Table 36. GPA Project Moderate and Middle-Income Supportable Sales Prices vs. Market Prices**

	<b>Moderate Income</b>	<b>Middle Income</b>	<b>SFD 2.9 (Sale)</b>	<b>SFD 4.3 (Sale)</b>	<b>SFD 7.3 (Sale)</b>	<b>Condo 10.9 (Sale)</b>	<b>TH-15 (Sale)</b>
AMI Basis for Calculation	110%	135%	Market <sup>2</sup>	Market <sup>2</sup>	Market <sup>2</sup>	Market <sup>2</sup>	Market <sup>2</sup>
2-Person Household (1BR)	\$334,400	\$432,400	NA	NA	NA	NA	NA
3-Person Household (2BR)	\$380,400	\$491,100	NA	NA	NA	NA	NA
4-Person Household (3BR)	\$422,800	\$545,700	NA	NA	\$630,000	\$540,000	\$520,000
5-Person Household (4BR)	\$458,600	\$591,000	\$780,000	\$700,000	NA	NA	NA
(1) Source: U.S. Department of Housing and Urban Development for the Housing Authority of San Diego, 7/1/2019, AECOM							
(2) AECOM estimate based on a set of 120 single-family home transactions in GPA projects in Unincorporated San Diego County that occurred between 2018 and 2020							

A breakdown of the transaction data on which the home values are based can be found in the Appendix. These show that 14 percent of all units transacted at values below the middle-income supportable cost threshold. Broken out by housing type, there were no single-family units at 2.9 DUAC affordable by middle-income households (Table 40), but 3 percent of single-family units at 4.3 DUAC (Table 41), 8 percent of single-family units at 7.9 DUAC (Table 42), 31 percent of condominiums at 10.9 DUAC (Table 43), and 54 percent of townhomes at 15 DUAC (Table 44) were affordable by middle-income households.

In Table 37, market sales prices for five residential prototypes in non-GPA areas of unincorporated San Diego County are compared with supportable sales prices for moderate and middle income households. For the four larger residential products, the market rates are slightly higher than supportable middle income housing costs, while the market rate for townhomes is lower than the middle income cost.

**Table 37. Non-GPA Project Moderate and Middle-Income Supportable Sales Prices vs. Market Prices**

	Moderate Income	Middle Income	SFD 2.9 (Sale)	SFD 4.3 (Sale)	SFD 7.3 (Sale)	Condo 10.9 (Sale)	TH-15 (Sale)
AMI Basis for Calculation	110%	135%	Market <sup>2</sup>	Market <sup>2</sup>	Market <sup>2</sup>	Market <sup>2</sup>	Market <sup>2</sup>
2-Person Household (1BR)	\$334,400	\$432,400	NA	NA	NA	NA	NA
3-Person Household (2BR)	\$380,400	\$491,100	NA	NA	NA	NA	NA
4-Person Household (3BR)	\$422,800	\$545,700	NA	NA	\$610,000	\$570,000	\$460,000
5-Person Household (4BR)	\$458,600	\$591,000	\$660,000	\$660,000	NA	NA	NA

(1) Source: U.S. Department of Housing and Urban Development for the Housing Authority of San Diego, 7/1/2019, AECOM  
(2) AECOM estimate based on a set of 127 single-family home transactions in Unincorporated San Diego County that occurred between 2019 and 2020

In Table 38, market rents for three multifamily prototypes found in unincorporated San Diego County are compared with supportable rents for moderate and middle income households. For every residential product type analyzed, average market rents are lower than the supportable middle-income rents.

**Table 38. Moderate and Middle-Income Supportable Rents vs. Market Rents**

	Moderate	Middle Income	Garden Apt.	Stacked Flats	Stacked Flats on Podium
AMI Basis for Calculation	110%	135%	Market	Market	Market
2-Person Household (1BR)	\$2,133	\$2,673	\$2,034	\$2,086	\$2,275
3-Person Household (2BR)	\$2,386	\$2,996	\$2,401	\$2,588	\$2,676
4-Person Household (3BR)	\$2,620	\$3,297	\$2,936	\$3,042	\$3,138
5-Person Household (4BR)	\$2,817	\$3,546	NA	NA	NA

(1) Source: U.S. Department of Housing and Urban Development for the Housing Authority of San Diego, 7/1/2019, AECOM  
(2) AECOM estimate based on a set of 16 multifamily projects in San Diego County constructed between 2016 and 2020

A breakdown of the market data on which the rent averages are based can be found in the Appendix in Table 45, Table 46, and Table 47. These show a set of 16 multifamily rental projects completed in the unincorporated county area between 2014 and 2020 totaling 3,571 units and including examples of garden apartments at approximately 20 DUAC, stacked flats at approximately 30 DUAC, and podium products at approximately 45 DUAC. Of these, 82 percent of units rented at Moderate Income levels, and nearly 99 percent rented at either Moderate Income or Middle Income levels.

From this analysis, it appears that for both GPA projects and non-GPA projects, the market is producing housing in the higher-density product categories that is affordable for households in the 135% of AMI income tier. These findings suggest that an incentive program that supports housing production at above 120% AMI could be offering market-rate developers density and other incentives in exchange for housing at largely market prices. Such windfall benefits may divert resources away from other affordable income tiers.

## 7. Recommendations

### 7.1 Middle Income Density Bonus Program Recommendation

The analysis in Section 6.3 explored the potential of creating a MIDB program that expands the existing density bonus program to provide additional housing opportunities for middle-income households earning between 120 and 150 percent of AMI. As indicated in the Section, the current market appears to be producing both for-sale and for-rent housing that is affordable to households in this tier. Consequently, a density bonus program would likely provide unnecessary incentives, which could divert resources that might be better used to support production of affordable units in the Very Low, Low, and Moderate-income tiers.

Given this finding, it is not recommended that the County pursue a middle-income density bonus program. However, while the market can produce housing affordable to households in the middle-income tier, building permit data shows that production has been below the County's General Plan goals and RHNA targets.

As shown in the best practices review in Section 4.4, there are other strategies available to the County to promote moderate and middle-income housing. These include zoning tools that support higher-density and flexible development; regulatory and policy adjustments that streamline the approval process and reduce development costs; and specialized financing tools targeted at households in the 80-150% AMI income tier. The State of California has already taken action on several of these strategies, with legislation addressing Accessory Dwelling Units (ADUs), density bonus, permit streamlining, and Housing Element rezoning programs among others. The County has also recently adopted new Accessory Dwelling Unit and Density Bonus incentives that are anticipated to incrementally increase production of affordable and middle-income units. These strategies are further explored below.

#### 7.1.1 Zoning Strategies

- Promote smaller homes on smaller lots through zoning changes to reduce lot size below the current minimum of 6,000 square feet, regulate maximum building width and depth, and require minimum densities.
- Continue to support development of ADUs.
- Expand building types to allow for duplexes, triplexes, and fourplexes on all residentially zoned land.
- Strategically rezone land to allow for denser missing-middle residential products at over 10 units/acre.
- Adopt mixed-use zoning that allows projects to include a mix of residential and employment uses to provide flexibility for builders to meet market demands.

#### 7.1.2 Regulatory and Policy Adjustments

- Make it easier to achieve densities through reductions/removal of parking and open space requirements, in particular for multi-family, cluster, and small lot development.<sup>24</sup>
- Use maximum floor area or height instead of units/acre to regulate intensity.
- Assess fees based on unit size (square footage, bedrooms, or floor area ratio) instead of units per acre.
- Shift to ministerial review and overall permit streamlining for a broader range of uses and housing types.
- Allow for higher lot coverage (75 percent or more).

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<sup>24</sup> County private open space standards start at 100 square feet per unit, while typical modern standards range from 36 to 60 square feet per unit.

### 7.1.3 Financing Tools

- Promote specialized lending programs that target middle-income households
- Create social impact and equitable development funds
- Property tax deferral programs
- Loan guarantee programs

## 7.2 Affordable/Inclusionary Housing Program Recommendation

### 7.2.1 Recommendation

The County Board directive identified two GPA project inclusionary program options for consideration: Option 1 - Affordable Housing Program and Option 2 - Inclusionary Housing Ordinance. The options are identical but for the fact that Option 1 does not have a mandatory predetermined set-aside and Option 2 establishes a mandatory set-aside.

AECOM recommends the County pursue Option 2 with a mandatory minimum contribution to affordable housing production combined with flexible compliance options. The findings from the feasibility analysis in Section 6 indicate that the landowner and development community should be able to absorb the recommended mandatory set-asides without a significant impact on overall housing production. The risk of an ordinance causing developers to bypass development in the unincorporated county area is mitigated by the fact that inclusionary housing is already well-established within San Diego County jurisdictions, and adoption by the County would increase the percentage of the County population living in an inclusionary jurisdiction from 66 to 81 percent, and the percentage of the 6th Cycle RHNA allocation subject to inclusionary housing from 79 to 83 percent.

Program implementation should incorporate findings from the Best Practices analysis in Section 4. A program may have greater chance of success if it has the following characteristics:

1. Tailored to area-specific market and regulatory conditions
2. Provides flexible compliance options
3. Makes compliance options available by right rather than through discretionary processes
4. Phasing-in of program to allow ongoing projects and transactions to transition smoothly to new requirements
5. Provides incentives to offset revenue lost due to set-aside requirement
6. Complemented by general reductions in regulatory barriers to development

These factors have been considered in the recommended program components below.

### 7.2.2 Program Components

#### 7.2.2.1 Compliance Triggers Affordable Housing Component

- For Option 1, compliance is mandatory but without a pre-determined set-aside for GPA projects of 50 units or more. The details of the set-aside would be negotiated in the GPA process. Older GPA projects that have already received discretionary approval and that are in phased development are not required to comply.
- For Option 2, compliance is mandatory and the inclusionary set-aside is pre-determined for GPA projects of 50 units or more. Older GPA projects that have already received discretionary approval and that are in phased development are not required to comply.

#### 7.2.2.2 Minimum Affordable Housing Set-Aside Requirements

- For Option 1, there is no mandatory minimum set-aside requirement. Consequently, if Option 1 is adopted, the minimum set-aside requirements proposed for Option 2 should be considered as a guideline for negotiation during the GPA process.

- For Option 2, mandatory compliance requires meeting a minimum affordable set-aside for both for-rent and for-sale projects. The proposed affordable set-aside meets the standard of feasibility established in the analysis in Section 6 and is consistent with precedent established by several other peer jurisdictions in San Diego County. The proposed mandatory affordable set-aside is:
  - 10% Low Income (calculated at 70% AMI) + 5% Moderate Income (calculated at 110% AMI); or
  - 5% Very Low Income (calculated at 50% AMI) + 5% Low Income (calculated at 70% AMI)
- The proposed set-aside is a minimum requirement that should not preclude a developer from increasing the share of set-aside units or from adding additional affordable income tiers.

#### 7.2.2.3 Covenant Periods for Income-Restricted Units

- The proposed duration of affordability for set-aside for both GPA Program Option 1 and Option 2 is consistent with the State Density Bonus Law as implemented through the San Diego County Zoning Code, Section 6375. Both for-sale and for-rent units will be kept affordable for 55 years (or longer if required by an associated construction or mortgage financing assistance program, mortgage insurance program, or rental subsidy program).

#### 7.2.2.4 Location and Type of Income-Restricted Units

- The proposed location and type of units set aside in compliance with both GPA Program Option 1 and Option 2 is broadly consistent with the State Density Bonus Law as implemented through the San Diego County Zoning Code, Section 6375. These provisions are designed to assure that the affordable units developed on site are distributed to promote a mixed-income community and are of the same general level of quality as market-rate units within the development. Specifically, the units should:
  - Be "reasonably dispersed" throughout the development.
  - Contain the same number of bedrooms as market-rate units.
  - Reflect the required set-aside proportion within each phase, if the project is phased, and be constructed concurrently with or prior to construction of the market-rate units.
  - Have an exterior appearance and quality that is in character with the GPA project as a whole.

#### 7.2.2.5 Flexible Compliance Alternatives

A summary of potential compliance alternatives for both Option 1 and Option 2 is provided below. To avoid unintended consequences, the options must be further calibrated so they are equal in cost and/or provide an equivalent number of acceptable-quality units as required by the base compliance requirement. In addition, the County may wish to define the off-site location requirements to comply with County-wide strategies for promoting compact development near transit and employment centers. Calibration would happen after the Board has selected an option and the ordinance is written.

**Table 39. Flexible Compliance Alternatives**

	ALTERNATIVE	IMPLEMENTATION PARAMETERS
A	<b>Off-site Development.</b> Allows for flexibility and permits developers multiple options to comply with affordable housing production requirements. Can be defined to encourage off-site development in support of County policies for reducing VMT.	<b>Criteria:</b> <ul style="list-style-type: none"> <li>• Location within the same CPA as the GPA project; or location in transit-rich employment-adjacent areas that conform with County compact development strategies and goals.</li> <li>• Equivalent number of units and bedrooms as required for on-site compliance</li> <li>• Can leverage affordable housing development strategies and tools such as low-income housing tax credits, a joint-venture with a qualified affordable housing developer, and the use of an affordable housing credit bank.</li> <li>• Reflects the required set-aside proportion within each phase, if the project is phased, and be constructed concurrently with or prior to construction of the market rate units.</li> </ul>



	ALTERNATIVE	IMPLEMENTATION PARAMETERS
		<ul style="list-style-type: none"> <li>Can be combined with other compliance alternatives such as in-lieu fees and land donation so long as total units produced are equal to or greater than the number required for on-site development.</li> </ul>
B	<b>In-Lieu Fees.</b> Can be set to represent the affordability gap between the value of market-rate and affordable units. Alternately, a fee that is lower than the affordability gap will provide an incentive to pay it, while a higher fee may compel onsite development	<b>Criteria:</b> <ul style="list-style-type: none"> <li>Calibrated to be equivalent to the cost of the target percentage of set-aside so that it represents an equal cost burden to developer.</li> <li>Fees adjusted regularly to reflect current cost variance between market-rate and income-restricted units.</li> <li>Provide an option to meet the requirements by combining numerous compliance options such as in-lieu fees with on-site development and off-site development.</li> <li>Can be combined with other compliance alternatives such as off-site development and land donation so long as total units produced are equal to or greater than the number required for on-site development.</li> </ul>
C	<b>Land Donation.</b> Patterned broadly after the requirements of Government Code Section 65915(g), which describes compliance rules for the State Density Bonus Law for land donations.	<b>Criteria for transferred land:</b> <ul style="list-style-type: none"> <li>Developable acreage is sufficient to permit construction of income-restricted units.</li> <li>Appropriate general plan designation, zoning, and development standards.</li> <li>Permits and approvals (other than building permits) in place.</li> <li>At least one acre in size and is or will be served by adequate public facilities and infrastructure.</li> <li>The land and the affordable units subject to a deed restriction</li> <li>Transferred to local agency or approved housing developer.</li> <li>Location consistent with location requirements specified for the off-site development option.</li> <li>Identified source of funding for the income-restricted units</li> <li>Affordable housing constructed concurrently with or prior to construction of the market-rate units.</li> <li>Can be combined with other compliance alternatives such as off-site development and in-lieu fees so long as total units produced are equal to or greater than the number required for on-site development.</li> </ul>
E	<b>Acquisition and Rehabilitation.</b> Conversion of offsite units to affordable homes. Could also be used to reserve affordable rental housing that is at risk of being lost to rent spikes in gentrifying neighborhoods.	<b>Criteria:</b> <ul style="list-style-type: none"> <li>Off-site preservation and buy-down alternatives typically include a requirement that the developer either make a minimum level of investment in rehabilitation, or otherwise ensure that the property is fully repaired, energy-efficient and capable of providing decent, safe housing for the duration of its affordability period without the need for substantial additional rehabilitation.<sup>1</sup></li> <li>Can be combined with other compliance alternatives such as off-site development and in-lieu fees so long as total units produced are equal to or greater than the number required for on-site development.</li> </ul>



## 8. Appendix

### 8.1 Bibliography of Sources for Literature and Best Practices Survey

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<https://www.yesmagazine.org/economy/2020/02/27/housing-missing-middle/>
  - HUD Good Neighbor Next Door Housing Program:  
[https://www.hud.gov/program\\_offices/housing/sfh/reo/goodn/gnndabot](https://www.hud.gov/program_offices/housing/sfh/reo/goodn/gnndabot)
  - District of Columbia's Home Purchase Assistance Program (HPAP):  
<https://dhcd.dc.gov/service/home-purchase-assistance-program-hpap>
  - Missing Middle Pilot Program (Minneapolis):  
<http://www2.minneapolismn.gov/cped/housing/MissingMiddle>
  - Seattle Affordable Middle-Income Housing Advisory Council: Policy Recommendations to Mayor Jenny A. Durkan, January 2020:  
<https://durkan.seattle.gov/wp-content/uploads/sites/9/2020/01/AMIHAC-Final-Report-2020-01-22-.pdf>
- **Peer Jurisdictions**
  - Comparison of IH programs:  
[https://www.sandiego.gov/sites/default/files/18\\_21\\_comparison\\_of\\_inclusionary\\_housing\\_programs.pdf](https://www.sandiego.gov/sites/default/files/18_21_comparison_of_inclusionary_housing_programs.pdf)
  - Carlsbad:  
<http://www.qcode.us/codes/carlsbad/>
  - Chula Vista:  
<https://www.chulavistaca.gov/home/showdocument?id=4786>
  - Los Angeles County:  
<http://planning.lacounty.gov/density>
  - Riverside County:  
[https://library.municode.com/ca/riverside\\_county/codes/code\\_of\\_ordinances?nodeId=TIT17ZO\\_CH17.68REI\\_NZO\\_17.68.010STIN](https://library.municode.com/ca/riverside_county/codes/code_of_ordinances?nodeId=TIT17ZO_CH17.68REI_NZO_17.68.010STIN)
  - Sacramento County:  
<https://planning.saccounty.net/PlansandProjectsIn-Progress/Pages/Affordable-Housing-Ordinance-Amendments-Project.aspx>

- City of San Diego:  
[https://docs.sandiego.gov/council\\_reso\\_ordinance/rao2020/O-21167.pdf](https://docs.sandiego.gov/council_reso_ordinance/rao2020/O-21167.pdf)
- San Luis Obispo County:  
[https://library.municode.com/ca/san\\_luis\\_obispo\\_county/codes/county\\_code?nodeId=TIT22LAUSOR\\_ART3\\_SIP\\_LPRDEST\\_CH22.12AFHOIN\\_22.12.080INHO](https://library.municode.com/ca/san_luis_obispo_county/codes/county_code?nodeId=TIT22LAUSOR_ART3_SIP_LPRDEST_CH22.12AFHOIN_22.12.080INHO),  
[https://library.municode.com/ca/san\\_luis\\_obispo\\_county/codes/county\\_code?nodeId=TIT23COZOLAUS\\_CH23.04SIDEST\\_23.04.090AFHODEBO](https://library.municode.com/ca/san_luis_obispo_county/codes/county_code?nodeId=TIT23COZOLAUS_CH23.04SIDEST_23.04.090AFHODEBO)

## 8.2 Backing Data for Feasibility Analysis

**Table 40. Recent Residential Sales Transactions at Approximately 2.9 Dwelling Units Per Acre Density**

<b>Village Residential 2.9 (V-R 2.9)</b>		<b>SFR Large Lot</b>						
<b>Address</b>	<b>SPA</b>	<b>Sale Date</b>	<b>Lot Sq.Ft.</b>	<b>Home Sq.Ft.</b>	<b>BDRM</b>	<b>Home Price</b>	<b>Price/Lot Sq.Ft.</b>	<b>Price/Home Sq.Ft.</b>
2851 Livery Way, Escondido	Harmony Grove	4/21/2020	15,725	4,349	5	\$923,821	\$59	\$212
35728 Bay Morgan Ln, Fallbrook	Horse Creek	9/16/2019	11,038	2,654	3	\$565,650	\$51	\$213
35805 Shetland Hls, Fallbrook	Horse Creek	1/31/2019	12,876	3,840	5	\$686,601	\$53	\$179
35811 Shetland Hills East, Fallbrook	Horse Creek	12/31/2018	10,127	3,373	4	\$655,595	\$65	\$194
309 Ventasso Way, Fallbrook	Horse Creek	11/3/2018	10,903	2,905	4	\$659,900	\$61	\$227
4704 Panache Dr, Fallbrook	Pala Mesa Highlands	2/19/2020	10,890	3,100	4	\$673,000	\$62	\$217
3209 ViadeTodosSantos, Fallbrook	Pala Mesa Highlands	12/18/2019	9,445	3,199	4	\$649,000	\$69	\$203
1824 Lemonadeberry Ln, Vista	Sugarbush	3/28/2019	10,890	3,304	3	\$830,000	\$76	\$251
1818 Lemonadeberry Ln, Vista	Sugarbush	10/3/2017	14,375	3,771	4	\$957,491	\$67	\$254
22111 Long Trot Dr, Escondido	Whittingham	7/31/2020	12,197	3,743	4	\$857,000	\$70	\$229
22171 Long Trot Dr, Escondido	Whittingham	6/29/2020	12,632	3,743	4	\$840,000	\$66	\$224
22147 Long Trot Dr, Escondido	Whittingham	5/7/2020	12,632	3,829	4	\$930,000	\$74	\$243
21860 Gallop Way, Escondido	Whittingham	6/24/2019	13,068	4,025	5	\$942,000	\$72	\$234
<b>Average</b>			12,061	3,526	4	\$782,312	\$65	\$222
<b>Median</b>			12,197	3,743	4	\$830,000	\$66	\$224
<b>Maximum</b>			15,725	4,349	5	\$957,491	\$76	\$254
<b>Minimum</b>			9,445	2,654	3	\$565,650	\$51	\$179
Source: Zillow, Redfin, AECOM								

**Table 41. Recent Residential Sales Transactions at Approximately 4.3 Dwelling Units Per Acre Density**

Village Residential 4.3 (V-R 4.3)		SFR Med Lot						
Address	SPA	Sale Date	Lot Sq.Ft.	Home Sq.Ft.	BDRM	Home Price	Price/Lot Sq.Ft.	Price/Home Sq.Ft.
3098 Starry Night, Escondido	Harmony Grove	8/20/2020	8,081	3,640	6	\$875,000	\$108	\$240
3064 Heirloom Pl, Escondido	Harmony Grove	8/18/2020	6,481	3,465	6	\$935,000	\$144	\$270
2953 Starry Night Dr, Escondido	Harmony Grove	3/30/2020	6,691	3,640	5	\$843,668	\$126	\$232
2953 Starry Night Dr, Escondido	Harmony Grove	3/29/2020	6,690	3,640	5	\$844,000	\$126	\$232
2914 Fledgling Dr, Escondido	Harmony Grove	3/27/2020	6,534	3,640	5	\$840,000	\$129	\$231
2914 Fledgling Dr, Escondido	Harmony Grove	3/27/2020	6,859	3,640	6	\$840,000	\$122	\$231
2861 Quilters Dr, Escondido	Harmony Grove	3/13/2020	6,691	3,640	5	\$798,375	\$119	\$219
2937 Starry Night Dr, Escondido	Harmony Grove	3/6/2020	6,265	2,980	4	\$804,114	\$128	\$270
2825 Quilters Dr, Escondido	Harmony Grove	2/28/2020	6,689	3,027	4	\$741,203	\$111	\$245
2827 Demler Dr, Escondido	Harmony Grove	1/24/2020	6,265	2,980	4	\$695,900	\$111	\$234
2922 Fledgling Dr, Escondido	Harmony Grove	11/5/2019	6,354	3,182	5	\$749,000	\$118	\$235
3056 Starry Night Dr, Escondido	Harmony Grove	10/29/2019	6,342	3,027	5	\$790,000	\$125	\$261
21856 Deer Grass Dr, Escondido	Harmony Grove	10/18/2019	6,669	3,640	5	\$839,500	\$126	\$231
3044 Starry Night Dr, Escondido	Harmony Grove	8/27/2019	6,316	3,182	4	\$736,000	\$117	\$231
2905 Starry Night Dr, Escondido	Harmony Grove	7/30/2019	7,405	3,640	5	\$960,000	\$130	\$264
2913 Starry Nighth Dr, Escondido	Harmony Grove	5/29/2019	6,970	3,182	4	\$920,000	\$132	\$289
3077 Starry Night Dr, Escondido	Harmony Grove	5/3/2019	6,529	3,701	5	\$849,000	\$130	\$229
2946 Fledgling Dr, Escondido	Harmony Grove	3/18/2019	6,016	3,640	5	\$725,000	\$121	\$199
35704 Bay Morgan Ln, Fallbrook	Horse Creek	7/26/2020	6,098	3,240	4	\$697,500	\$114	\$215
35817 Bay Sable Ln, Fallbrook	Horse Creek	6/30/2020	6,984	3,719	4	\$695,816	\$100	\$187
429 Ventasso Way, Fallbrook	Horse Creek	6/25/2020	7,325	2,285	3	\$570,360	\$78	\$250
35859 Bay Sable Ln, Fallbrook	Horse Creek	5/12/2020	7,037	3,840	5	\$681,999	\$97	\$178
227 Ventasso Way, Fallbrook	Horse Creek	5/7/2020	6,686	2,437	4	\$560,000	\$84	\$230
35794 Bay Morgan Ln, Fallbrook	Horse Creek	3/26/2020	6,098	3,240	4	\$715,000	\$117	\$221
35497 Asturian Way, Fallbrook	Horse Creek	3/20/2020	6,502	1,799	3	\$522,790	\$80	\$291
322 Calabrese St, Fallbrook	Horse Creek	2/14/2020	7,084	2,486	4	\$539,990	\$76	\$217
35909 Shetland Hls, Fallbrook	Horse Creek	11/12/2019	7,212	3,842	4	\$671,011	\$93	\$175
35722 Bay Morgan Ln, Fallbrook	Horse Creek	9/26/2019	6,578	3,240	4	\$600,460	\$91	\$185
35679 Garrano Ln, Fallbrook	Horse Creek	9/16/2019	6,420	3,240	4	\$593,500	\$92	\$183
369 Ventasso Way, Fallbrook	Horse Creek	9/16/2019	6,941	2,967	4	\$609,990	\$88	\$206
35734 Bay Morgan Ln, Fallbrook	Horse Creek	9/3/2019	8,712	3,240	4	\$680,000	\$78	\$210
35758 Asturian Way, Fallbrook	Horse Creek	8/5/2019	6,733	2,221	4	\$519,000	\$77	\$234
35828 Shetland Hls, Fallbrook	Horse Creek	7/29/2019	6,431	3,719	4	\$651,611	\$101	\$175
35834 Shetland Hls, Fallbrook	Horse Creek	7/3/2019	6,950	3,200	4	\$624,176	\$90	\$195
420 Galician Ct, Fallbrook	Horse Creek	6/27/2019	7,125	3,006	4	\$552,990	\$78	\$184
424 Galician Ct, Fallbrook	Horse Creek	6/20/2019	7,367	2,654	3	\$529,990	\$72	\$200
321 Ventasso Way, Fallbrook	Horse Creek	3/23/2019	6,587	2,755	4	\$596,743	\$91	\$217
35675 Garrano Ln, Fallbrook	Horse Creek	11/19/2018	6,550	2,654	3	\$569,259	\$87	\$214
35614 Garrano Ln, Fallbrook	Horse Creek	11/13/2018	7,102	2,285	4	\$562,000	\$79	\$246
232 Ventasso Way, Fallbrook	Horse Creek	11/3/2018	7,305	2,755	4	\$589,640	\$81	\$214
416 Galician Ct, Fallbrook	Horse Creek	6/28/2018	7,405	3,240	4	\$650,000	\$88	\$201
35735 Garrano Ln, Fallbrook	Horse Creek	4/30/2018	5,227	3,006	4	\$664,755	\$127	\$221
<b>Average</b>			6,769	3,156	4	\$ 700,818	\$104	\$224
<b>Median</b>			6,690	3,220	4	\$ 688,908	\$105	\$225
<b>Maximum</b>			8,712	3,842	6	\$ 960,000	\$144	\$291
<b>Minimum</b>			5,227	1,799	3	\$ 519,000	\$72	\$175
Source: Zillow, Redfin, AECOM								

**Table 42. Recent Residential Sales Transactions at Approximately 7.9 Dwelling Units Per Acre Density**

<b>Village Residential 7.3 (V-R 7.3)</b>		<b>SFR Small Lot</b>							
<b>Address</b>	<b>SPA</b>	<b>Sale Date</b>	<b>Lot Sq.Ft.</b>	<b>Home Sq.Ft.</b>	<b>BDRM</b>	<b>Home Price</b>	<b>Price/Lot Sq.Ft.</b>	<b>Price/Home Sq.Ft.</b>	
2690 Overlook Point Dr, Escondido	Harmony Grove	8/31/2020	3,510	2,075	4	\$664,000	\$189	\$320	
21519 Trail Ridge Dr, Escondido	Harmony Grove	8/25/2020	4,363	2,626	4	\$751,000	\$172	\$286	
2729 Overlook Pt., Escondido	Harmony Grove	8/7/2020	4,590	2,136	4	\$790,000	\$172	\$370	
21438 Trail Ridge Dr, Escondido	Harmony Grove	7/30/2020	3,699	2,185	5	\$699,000	\$189	\$320	
2738 Overlook Point Dr, Escondido	Harmony Grove	6/25/2020	4,113	2,136	4	\$667,900	\$162	\$313	
2847 Fishers Pl, Escondido	Harmony Grove	6/12/2020	3,959	2,783	5	\$735,000	\$186	\$264	
2822 Fishers Pl, Escondido	Harmony Grove	5/28/2020	4,387	2,185	4	\$685,000	\$156	\$314	
21558 Trail Ridge Dr, Escondido	Harmony Grove	4/17/2020	4,012	2,626	4	\$685,000	\$171	\$261	
2694 Overlook Point Dr, Escondido	Harmony Grove	4/10/2020	3,544	1,920	3	\$620,000	\$175	\$323	
2717 Overlook Point Dr, Escondido	Harmony Grove	3/19/2020	3,296	1,922	3	\$609,000	\$185	\$317	
21451 Trail Ridge Dr, Escondido	Harmony Grove	3/18/2020	3,699	2,278	4	\$669,900	\$181	\$294	
2685 Overlook Point Dr, Escondido	Harmony Grove	2/28/2020	3,561	1,920	3	\$615,501	\$173	\$321	
21638 Saddle Bred Ln, Escondido	Harmony Grove	2/24/2020	3,057	2,018	4	\$620,000	\$203	\$307	
2838 Fishers Pl, Escondido	Harmony Grove	2/24/2020	3,959	2,519	4	\$657,000	\$166	\$261	
2826 Quilters Dr, Escondido	Harmony Grove	1/17/2020	3,431	1,686	3	\$590,000	\$172	\$350	
21409 Trail Ridge Dr, Escondido	Harmony Grove	11/15/2019	4,387	2,783	4	\$625,000	\$142	\$225	
2653 Overlook Point Dr, Escondido	Harmony Grove	11/7/2019	3,265	1,920	3	\$600,000	\$184	\$313	
2605 Overlook Point Dr, Escondido	Harmony Grove	7/8/2019	3,694	1,922	3	\$634,900	\$172	\$330	
21502 Trail Ridge Dr, Escondido	Harmony Grove	6/24/2019	4,704	3,112	4	\$794,000	\$169	\$255	
21582 Trail Ridge Dr, Escondido	Harmony Grove	5/13/2019	3,919	2,519	4	\$670,000	\$171	\$266	
21514 Trail Ridge Dr, Escondido	Harmony Grove	4/26/2019	3,703	2,510	4	\$660,000	\$178	\$263	
2648 Overlook Point Dr, Escondido	Harmony Grove	4/8/2019	3,482	1,920	3	\$605,000	\$174	\$315	
21511 Trail Ridge Dr, Escondido	Harmony Grove	3/21/2019	3,703	2,757	4	\$683,185	\$184	\$248	
21474 Trail Ridge Dr, Escondido	Harmony Grove	2/28/2019	3,998	2,278	3	\$675,000	\$169	\$296	
21462 Trail Ridge Dr, Escondido	Harmony Grove	1/30/2019	3,703	2,757	4	\$665,900	\$180	\$242	
21639 Trail Blazer Ln, Escondido	Harmony Grove	10/19/2018	3,218	1,873	3	\$595,000	\$185	\$318	
21469 Trail Ridge Dr, Escondido	Harmony Grove	10/3/2018	3,703	2,278	3	\$674,188	\$182	\$296	
2855 Fishers Pl, Escondido	Harmony Grove	10/1/2018	4,533	2,185	4	\$665,000	\$147	\$304	
21607 Trail Blazer Ln, Escondido	Harmony Grove	9/28/2018	3,296	1,686	3	\$570,000	\$173	\$338	
35510 Austurian Way, Fallbrook	Horse Creek	2/19/2020	4,553	2,213	4	\$548,925	\$121	\$248	
271 Dun Blazer Way, Fallbrook	Horse Creek	1/13/2020	4,000	1,753	3	\$435,000	\$109	\$248	
276 Oberlander Way, Fallbrook	Horse Creek	12/24/2019	3,300	1,579	3	\$445,000	\$135	\$282	
35564 Austurian Way, Fallbrook	Horse Creek	10/7/2019	4,370	2,213	4	\$548,050	\$125	\$248	
210 Oberlander Way, Fallbrook	Horse Creek	10/3/2019	3,333	1,579	3	\$431,970	\$130	\$274	
317 Campolina Ct, Fallbrook	Horse Creek	6/28/2019	4,440	2,022	3	\$509,990	\$115	\$252	
35646 Austurian Way, Fallbrook	Horse Creek	12/14/2018	4,257	2,445	4	\$565,495	\$133	\$231	
<b>Average</b>			3,854	2,203	4	\$629,442	\$165	\$289	
<b>Median</b>			3,703	2,185	4	\$645,950	\$172	\$295	
<b>Maximum</b>			4,704	3,112	5	\$794,000	\$203	\$370	
<b>Minimum</b>			3,057	1,579	3	\$431,970	\$109	\$225	
Source: Zillow, Redfin, AECOM									

**Table 43. Recent Residential Sales Transactions at Approximately 10.9 Dwelling Units Per Acre Density**

<b>Village Residential 10.9 (V-R 10.9) Detached Condos</b>								
<b>Address</b>	<b>SPA</b>	<b>Sale Date</b>	<b>Lot Sq.Ft.</b>	<b>Home Sq.Ft.</b>	<b>BDRM</b>	<b>Home Price</b>	<b>Price/Lot Sq.Ft.</b>	<b>Price/Home Sq.Ft.</b>
21572 Saddle Bred Ln, Escondido	Harmony Grove	5/28/2020	2,552	1,873	3	\$599,500	\$235	\$320
21457 Riding Trail Dr, Escondido	Harmony Grove	3/12/2020	2,614	1,686	3	\$550,000	\$210	\$326
21570 Harmony Village Dr, Escondido	Harmony Grove	6/4/2020	3,049	2,204	3	\$682,000	\$224	\$309
21626 Saddle Bred Ln, Escondido	Harmony Grove	7/12/2019	2,550	2,018	4	\$574,000	\$225	\$284
21627 Trail Blazer Ln, Escondido	Harmony Grove	4/15/2019	2,575	2,018	4	\$605,000	\$235	\$300
21635 Trail Blazer Ln, Escondido	Harmony Grove	1/29/2020	2,575	2,018	4	\$605,000	\$235	\$300
21577 Trail Blazer Ln, Escondido	Harmony Grove	6/2/2020	2,719	2,018	4	\$622,000	\$229	\$308
21559 Trail Blazer Ln, Escondido	Harmony Grove	6/29/2020	2,721	1,686	3	\$605,000	\$222	\$359
2746 Overlook Point Dr, Escondido	Harmony Grove	6/22/2020	2,943	1,922	4	\$620,000	\$211	\$323
35454 Brown Galloway Ln, Fallbrook	Horse Creek	11/29/2019	1,985	1,568	3	\$389,955	\$196	\$249
35442 Brown Galloway Ln, Fallbrook	Horse Creek	4/1/2019	2,153	2,037	4	\$450,000	\$209	\$221
35350 White Camarillo Ln, Fallbrook	Horse Creek	7/28/2020	2,400	1,579	3	\$478,885	\$200	\$303
35366 White Camarillo Ln, Fallbrook	Horse Creek	6/30/2020	2,400	1,579	3	\$476,360	\$198	\$302
35310 Kinsky Way, Fallbrook	Horse Creek	6/24/2019	2,600	1,579	3	\$449,360	\$173	\$285
35304 Kinsky Way, Fallbrook	Horse Creek	4/26/2019	2,600	2,156	4	\$488,990	\$188	\$227
35339 Kinsky Way, Fallbrook	Horse Creek	6/28/2019	2,600	2,156	4	\$483,990	\$186	\$224
<b>Average</b>			2,565	1,881	4	\$542,503	\$211	\$290
<b>Median</b>			2,588	1,970	4	\$562,000	\$211	\$301
<b>Maximum</b>			3,049	2,204	4	\$682,000	\$235	\$359
<b>Minimum</b>			1,985	1,568	3	\$389,955	\$173	\$221
Source: Zillow, Redfin, AECOM								

**Table 44. Recent Residential Sales Transactions at Approximately 15 Dwelling Units Per Acre Density**

<b>Sales Comps</b>								
<b>Village Residential 15 (V-R 15) Townhomes</b>								
<b>Address</b>	<b>SPA</b>	<b>Sale Date</b>	<b>Lot Sq.Ft.<sup>1</sup></b>	<b>Home Sq.Ft.</b>	<b>BDRM</b>	<b>Home Price</b>	<b>Price/Lot Sq.Ft.</b>	<b>Price/Home Sq.Ft.</b>
15947 Parkview Loop, San Diego	4S Ranch	7/22/2020	2,033	1,628	3	\$715,000	\$352	\$439
15905 Parkview Loop, San Diego	4S Ranch	3/29/2019	2,033	1,518	3	\$650,000	\$320	\$428
2735 Sparta Rd, Chula Vista	Chula Vista	3/10/2020	2,033	1,430	4	\$465,000	\$229	\$325
2710 Sparta Rd, Chula Vista	Chula Vista	1/8/2019	2,033	1,652	4	\$464,000	\$228	\$281
2556 S Escondido Blvd	Escondido	7/28/2019	2,033	1,564	3	\$464,990	\$229	\$297
2548 S Escondido Blvd	Escondido	5/24/2019	2,033	1,564	3	\$474,990	\$234	\$304
13232 N Peak Vista Dr, Lakeside	Lakeside	7/19/2020	2,033	1,592	3	\$489,000	\$241	\$307
13215 Full Moon Ct, Lakeside	Lakeside	7/9/2020	2,033	1,874	3	\$519,000	\$255	\$277
13221 Midnight Star Way, Lakeside	Lakeside	6/25/2020	2,033	1,465	3	\$465,000	\$229	\$317
425 Nickel Creek Dr	Ramona	5/22/2020	2,033	1,559	3	\$438,000	\$215	\$281
1341 Meandering Way, Ramona	Ramona	11/15/2017	2,033	1,540	3	\$430,000	\$212	\$279
7518 Eagle Dr, Santee	Santee	8/9/2020	2,033	1,730	3	\$585,000	\$288	\$338
7503 Eagle Dr, Santee	Santee	7/30/2019	2,033	1,902	3	\$570,000	\$280	\$300
<b>Average</b>			2,033	1,617	3	\$517,691	\$255	\$321
<b>Median</b>			2,033	1,564	3	\$474,990	\$234	\$304
<b>Maximum</b>			2,033	1,902	4	\$715,000	\$352	\$439
<b>Minimum</b>			2,033	1,430	3	\$430,000	\$212	\$277
(1) AECOM estimate based on assumed 15 DUAC density and 0.7 discount for buildable pad								
Source: Zillow, Redfin, AECOM								

**Table 45. Rents at Recent Multifamily Projects at 20 Dwelling Units Per Acre Density**

<b>Garden 20 (Rent)</b>	<b>Garden Apt.</b>					
<b>Project</b>	<b>Room Type</b>	<b>Units</b>	<b>% Project</b>	<b>Avg SF</b>	<b>Asking Rent/Unit</b>	<b>Asking Rent/SF</b>
<b>501 W Bobier Dr</b> <i>Vista</i>	1BR	168	58%	815	\$2,035	\$2.50
	2BR	110	38%	1,108	\$2,365	\$2.13
	3BR	<u>12</u>	<u>4%</u>	<u>1,244</u>	<u>\$2,840</u>	<u>\$2.28</u>
		290	100%	944	\$2,193	\$2.32
<b>1401 N Melrose Dr</b> <i>Vista</i>	1BR	190	46%	793	\$1,988	\$2.51
	2BR	200	49%	1,130	\$2,358	\$2.09
	3BR	<u>20</u>	<u>5%</u>	<u>1,358</u>	<u>\$2,717</u>	<u>\$2.00</u>
		410	100%	985	\$2,204	\$2.24
<b>1925 Avenida Escaya</b> <i>Chula Vista</i>	1BR	141	52%	790	\$2,084	\$2.64
	2BR	111	41%	1,068	\$2,715	\$2.54
	3BR	<u>20</u>	<u>7%</u>	<u>1,569</u>	<u>\$3,528</u>	<u>\$2.25</u>
		272	100%	960	\$2,448	\$2.55
<b>2760 Lake Pointe Dr</b> <i>Spring Valley</i>	1BR	14	16%	743	\$1,895	\$2.55
	2BR	59	67%	1,081	\$2,106	\$1.95
	3BR	<u>15</u>	<u>17%</u>	<u>1,315</u>	<u>\$2,528</u>	<u>\$1.92</u>
		88	100%	1,067	\$2,144	\$2.01
<b>Average (rounded)</b>	1BR	128	48%	800	\$2,027	\$2.54
	2BR	120	45%	1,100	\$2,411	\$2.18
	3BR	<u>17</u>	<u>6%</u>	<u>1,390</u>	<u>\$2,939</u>	<u>\$2.11</u>
		265	100%	973	\$2,259	\$2.32
<i>Source: Costar, project websites, AECOM</i>						



**Table 46. Rents at Recent Multifamily Projects at 30 Dwelling Units Per Acre Density**

Project	Room Type	Units	% Project	Avg SF	Asking Rent/Unit	Asking Rent/SF
<b>10785 Pomerado Rd.</b> San Diego	1BR	9	11%	897	\$1,999	\$2.33
	2BR	63	75%	1,160	\$2,299	\$1.98
	3BR	12	14%	1,366	\$2,849	\$2.09
		84	100%	1,161	\$2,345	\$2.02
<b>9865 Eerma Rd.</b> San Diego	1BR	64	56%	767	\$2,286	\$2.98
	2BR	50	44%	1,059	\$2,724	\$2.57
	3BR	0	0%	0	\$0	\$0.00
		114	100%	895	\$2,478	\$2.77
<b>2414 Escondido Blvd.</b> Escondido	1BR	36	47%	766	\$2,003	\$2.61
	2BR	34	45%	1,100	\$2,568	\$2.33
	3BR	6	8%	1,353	\$2,880	\$2.13
		76	100%	962	\$2,325	\$2.42
<b>2043 Artisan Way</b> Chula Vista	1BR	149	55%	827	\$2,105	\$2.54
	2BR	105	39%	1,102	\$2,557	\$2.32
	3BR	18	7%	1,371	\$3,030	\$2.21
		272	100%	969	\$2,341	\$2.42
<b>1629 Santa Venetia St.</b> Chula Vista	1BR	129	43%	731	\$2,196	\$3.00
	2BR	129	43%	1,097	\$2,652	\$2.42
	3BR	42	14%	1,330	\$3,261	\$2.45
		300	100%	972	\$2,541	\$2.61
<b>1660 Metro Ave.</b> Chula Visa	1BR	189	61%	841	\$2,041	\$2.43
	2BR	111	36%	1,302	\$2,974	\$2.28
	3BR	9	3%	1,380	\$3,990	\$2.89
		309	100%	1,022	\$2,433	\$2.38
<b>300 Town Center Pky.</b> Santee	1BR	52	30%	700	\$1,745	\$2.49
	2BR	84	49%	1,010	\$2,165	\$2.14
	3BR	36	21%	1,166	\$2,648	\$2.27
		172	100%	949	\$2,139	\$2.25
<b>Average (rounded)</b>	1BR	90	47%	790	\$2,086	\$2.64
	2BR	82	43%	1,130	\$2,588	\$2.29
	3BR	18	9%	1,300	\$3,042	\$2.34
		190	100%	985	\$2,393	\$2.43
Source: Costar, project websites, AECOM						

**Table 47. Rents at Recent Multifamily Projects at 45 Dwelling Units Per Acre Density**

Project	Room Type	Units	% Project	Avg SF	Asking Rent/Unit	Asking Rent/SF
<b>6850 Mission Gorge</b> San Diego	1BR	220	50%	787	\$2,310	\$2.94
	2BR	158	36%	1,107	\$2,652	\$2.39
	3BR	66	15%	1,363	\$3,388	\$2.49
		444	100%	986	\$2,592	\$2.63
<b>700 W Grand Ave</b> Escondido	1BR	63	50%	649	\$2,280	\$3.51
	2BR	55	44%	1,486	\$2,782	\$1.87
	3BR	8	6%	1,925	\$3,879	\$2.02
		126	100%	1,096	\$2,601	\$2.37
<b>152 N Twin Oaks Valley</b> San Marcos	1BR	0	0%	0	\$0	\$0.00
	2BR	32	27%	1,235	\$2,730	\$2.21
	3BR	86	73%	1,431	\$2,887	\$2.02
		118	100%	1,377	\$2,844	\$2.06
<b>650 N Centre City Pky</b> Escondido	1BR	60	54%	863	\$2,139	\$2.48
	2BR	52	46%	1,184	\$2,683	\$2.27
	3BR	0	0%	0	\$0	\$0.00
		112	100%	1,012	\$2,392	\$2.36
<b>10625 Calle Mar De Ma</b> San Diego	1BR	192	50%	835	\$2,275	\$2.73
	2BR	128	33%	1,132	\$2,644	\$2.34
	3BR	64	17%	1,239	\$3,125	\$2.52
		384	100%	1,001	\$2,540	\$2.54
<b>Average (rounded)</b>	1BR	107	45%	800	\$2,275	\$2.84
	2BR	85	36%	1,180	\$2,676	\$2.27
	3BR	45	19%	1,370	\$3,138	\$2.29
		237	100%	1,044	\$2,582	\$2.47

Source: Costar, project websites, AECOM

**Table 48: Utilities Allowance for Affordable Ownership Units**

	Bedrooms				
	1	2	3	4	5
Heating <sup>1</sup>	\$5	\$7	\$8	\$10	\$12
Cooking <sup>1</sup>	\$3	\$4	\$5	\$6	\$7
Other Electric	\$24	\$30	\$37	\$47	\$54
Air Conditioning	\$1	\$1	\$2	\$2	\$2
Water Heating <sup>1</sup>	\$11	\$14	\$17	\$22	\$25
Water	\$80	\$103	\$126	\$160	\$183
Sewar	\$25	\$32	\$39	\$50	\$57
Trash Collection	\$36	\$36	\$36	\$36	\$36
Range/Microwave	\$10	\$10	\$10	\$10	\$10
Refrigerator	\$10	\$10	\$10	\$10	\$10
<b>Total/Month</b>	<b>\$205</b>	<b>\$247</b>	<b>\$290</b>	<b>\$353</b>	<b>\$396</b>
<b>Total/Year</b>	<b>\$2,464</b>	<b>\$2,960</b>	<b>\$3,476</b>	<b>\$4,240</b>	<b>\$4,748</b>

(1) Cost an average of natural gas, bottled gas, and electric sources

Source: U.S. Department of Housing and Urban Development for the Housing Authority of San Diego, 7/1/2019

**Table 49: Base Case Pro Forma: SFD 2.9**

SFD 2.9 (Sale)		Single-Family Detached, Large Lot		Scenario: Base Case		
PROGRAM						
General						
Site (net developable ac)	10.00					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0.0%	0.0%	0.0%	0.0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.23	0.23			
DU/AC		2.90	2.90			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	0%	0	0	0		
4BR	100%	29	0	29		
Total		29	0	29		
Unit Allocation by Affordability <sup>1</sup>	Market	Very Low	Low	Moderate	Mid Income	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	0	0	0	0	0	
4BR	29	0	0	0	0	
Total	29	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	/unit	0	0	0		
4BR	3,500/unit	101,500	0	101,500		
Total	3,500/unit	101,500	0	101,500		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	/unit	0	0	0		
4BR	3,500/unit	101,500	0	101,500		
Total	3,500	101,500	0	101,500		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	0			
4BR	3.0/unit	2.5/unit	87			
Type			87			
Surface	100%	87				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	\$10/land Sq.Ft.			\$150,207/unit	\$4,356,000	
Onsite improvements	\$5/land Sq.Ft.			\$75,103/unit	\$2,178,000	
Building <sup>2</sup>	\$50/vertical Sq.Ft.			\$175,000/unit	\$5,075,000	
Parking <sup>3</sup>						
Surface	\$/space	Included in on-site improvements			\$0	
First floor podium	\$20,000/space				\$0	
Subterranean 1	\$35,000/space				\$0	
Subterranean 2	\$40,000/space				\$0	
Subterranean 3	\$45,000/space				\$0	
Contractor Fee w/contingency	20.0% direct costs				\$2,321,800	
Total Direct Costs			\$137/sf	\$480,372/unit		\$13,930,800

<b>Indirect Costs<sup>4</sup></b>						
A&E	7.0% direct costs				\$975,156	
Permits and Fees	\$20/GBA Sq.Ft.			\$70,000/unit	\$2,030,000	
Legal, Insurance, Warranty	3.0% direct costs				\$417,924	
Marketing	\$2,500/unit				\$72,500	
G&A	1.0% indirect costs				\$34,956	
Developer Fee	4.0% direct costs				\$557,232	
Soft Cost Contingency	5.0% indirect costs				\$204,388	
Total Indirect Costs			\$42/sf	\$148,005/unit		<b>\$4,292,156</b>
<b>Financing<sup>5</sup></b>						
Fees					\$218,675	
Construction Period Interest					\$683,361	
Total Financing						<b>\$902,036</b>
<b>Total Costs Before Developer Return and Land</b>						<b>\$19,124,993</b>
Developer Return on Cost <sup>6</sup>	10.0% cost before land				\$1,912,499	
<b>Total Costs Before Land</b>			\$207/sf	\$725,431/unit		<b>\$21,037,492</b>
<b>REVENUE</b>						
Revenue/Unit	Market	Very Low	Low	Moderate	Mid Income	
Studio	\$	\$93,400	\$166,700	\$287,900	\$373,700	
1BR	\$	\$112,000	\$196,000	\$334,400	\$432,400	
2BR	\$	\$130,500	\$224,700	\$380,400	\$491,100	
3BR	\$	\$145,000	\$249,900	\$422,800	\$545,700	
4BR	\$780,000	\$158,500	\$271,500	\$458,600	\$591,000	
Revenue	Market	Very Low	Low	Moderate	Mid Income	
Studio	\$	\$	\$	\$	\$	
1BR	\$	\$	\$	\$	\$	
2BR	\$	\$	\$	\$	\$	
3BR	\$	\$	\$	\$	\$	
4BR	\$22,620,000	\$	\$	\$	\$	
Total	\$22,620,000	\$	\$	\$	\$	<b>\$22,620,000</b>
<b>Cost of Sale</b>						
Commissions	3%					(\$678,600)
Total Cost of Sale						<b>(\$678,600)</b>
<b>Net Revenue</b>						<b>\$21,941,400</b>
<b>RETURN MEASURES</b>						
<b>SFD 2.9 (Sale)</b>	<b>Single-Family Detached, Large Lot</b>					
<b>Scenario</b>	Market	Very Low	Low	Moderate	Mid Income	
Affordable Set-Aside	100%	0%	0%	0%	0%	
Set-Aside %						
Density Bonus	0%					
<b>Residual Land Value Analysis</b>						
Net Revenue/Value				\$216/GBA sf	\$756,600/unit	\$21,941,400
Total Development Cost Before Land and Assumed Return				\$188/GBA sf	\$659,483/unit	\$19,124,993
Developer profit at 10% of cost before land				\$19/GBA sf	\$65,948/unit	\$1,912,499
Total Development Cost Before Land				\$207/GBA sf	\$725,431/unit	\$21,037,492
Residual Land Value (Net Square Foot)				\$2.08/land sf	\$31,169/unit	\$903,908
Residual Land Value (Gross Square Foot) at net/gross of 65%				\$1.35/land sf		
(1) Very Low at 50% AMI, Low at 70% AMI, Moderate at 110% AMI, Middle-Income at 135% AMI						
(2) Vertical cost assumptions drawn from recent comparable proformas and AECOM experience with similar projects						
(3) Parking cost assumptions based on AECOM experience with other projects						
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects						
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance, 100% avg. absorption balance						
(6) Developer profit assumption from AECOM experience with similar projects						
Source: AECOM						

**Table 50: Base Case Pro Forma: SFD 4.3**

SFD 4.3 (Sale)		Single-Family Detached, Medium Lot		Scenario: Base Case		
PROGRAM						
General						
Site (net developable ac)	10.00					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0.0%	0.0%	0.0%	0.0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.32	0.32			
DU/AC		4.30	4.30			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	43	0	43		
4BR	0%	0	0	0		
Total		43	0	43		
Unit Allocation by Affordability <sup>1</sup>	Market	Very Low	Low	Moderate	Mid Income	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	43	0	0	0	0	
4BR	0	0	0	0	0	
Total	43	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	3,200/unit	137,600	0	137,600		
4BR	/unit	0	0	0		
Total	3,200/unit	137,600	0	137,600		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	3,200/unit	137,600	0	137,600		
4BR	/unit	0	0	0		
Total	3,200	137,600	0	137,600		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	86			
4BR	3.0/unit	2.5/unit	0			
Type			86			
Surface	100%	86				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	\$10/land Sq.Ft.			\$101,302/unit	\$4,356,000	
Onsite improvements	\$5/land Sq.Ft.			\$50,651/unit	\$2,178,000	
Building <sup>2</sup>	\$55/vertical Sq.Ft.			\$176,000/unit	\$7,568,000	
Parking <sup>3</sup>						
Surface	\$/space	Included in on-site improvements			\$0	
First floor podium	\$20,000/space				\$0	
Subterranean 1	\$35,000/space				\$0	
Subterranean 2	\$40,000/space				\$0	
Subterranean 3	\$45,000/space				\$0	
Contractor Fee w/contingency	20.0% direct costs				\$2,820,400	
Total Direct Costs			\$123/sf	\$393,544/unit		\$16,922,400

Indirect Costs <sup>4</sup>						
A&E	7.0% direct costs				\$1,184,568	
Permits and Fees	\$20/GBA Sq.Ft.			\$64,000/unit	\$2,752,000	
Legal, Insurance, Warranty	3.0% direct costs				\$507,672	
Marketing	\$2,500/unit				\$107,500	
G&A	1.0% indirect costs				\$45,517	
Developer Fee	4.0% direct costs				\$676,896	
Soft Cost Contingency	5.0% indirect costs				\$263,708	
Total Indirect Costs			\$40/sf	\$128,787/unit		\$5,537,861
Financing <sup>5</sup>						
Fees					\$269,523	
Construction Period Interest					\$842,260	
Total Financing						\$1,111,783
Total Costs Before Developer Return and Land						\$23,572,044
Developer Return on Cost <sup>6</sup>	10.0% cost before land				\$2,357,204	
Total Costs Before Land			\$188/sf	\$603,006/unit		\$25,929,248
REVENUE						
Revenue/Unit	Market	Very Low	Low	Moderate	Mid Income	
Studio	\$	\$93,400	\$166,700	\$287,900	\$373,700	
1BR	\$	\$112,000	\$196,000	\$334,400	\$432,400	
2BR	\$	\$130,500	\$224,700	\$380,400	\$491,100	
3BR	\$700,000	\$145,000	\$249,900	\$422,800	\$545,700	
4BR	\$	\$158,500	\$271,500	\$458,600	\$591,000	
Revenue	Market	Very Low	Low	Moderate	Mid Income	
Studio	\$	\$	\$	\$	\$	
1BR	\$	\$	\$	\$	\$	
2BR	\$	\$	\$	\$	\$	
3BR	\$30,100,000	\$	\$	\$	\$	
4BR	\$	\$	\$	\$	\$	
Total	\$30,100,000	\$	\$	\$	\$	\$30,100,000
Cost of Sale						
Commissions	3%					(\$903,000)
Total Cost of Sale						(\$903,000)
Net Revenue						\$29,197,000
RETURN MEASURES						
SFD 4.3 (Sale)	Single-Family Detached, Medium Lot					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				\$212/GBA sf	\$679,000/unit	\$29,197,000
Total Development Cost Before Land and Assumed Return				\$171/GBA sf	\$548,187/unit	\$23,572,044
Developer profit at 10% of cost before land				\$17/GBA sf	\$54,819/unit	\$2,357,204
Total Development Cost Before Land				\$188/GBA sf	\$603,006/unit	\$25,929,248
Residual Land Value (Net Square Foot)				\$7.50/land sf	\$75,994/unit	\$3,267,752
Residual Land Value (Gross Square Foot) at net/gross of 65%				\$4.88/land sf		
(1) Very Low at 50% AMI, Low at 70% AMI, Moderate at 110% AMI, Middle-Income at 135% AMI						
(2) Vertical cost assumptions drawn from recent comparable proformas and AECOM experience with similar projects						
(3) Parking cost assumptions based on AECOM experience with other projects						
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects						
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance, 100% avg. absorption balance						
(6) Developer profit assumption from AECOM experience with similar projects						
Source: AECOM						

**Table 51: Base Case Pro Forma: SFD 4.3**

SFD 4.3 (Sale)		Single-Family Detached, Medium Lot		Scenario: Base Case		
PROGRAM						
General						
Site (net developable ac)	10.00					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0.0%	0.0%	0.0%	0.0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.32	0.32			
DU/AC		4.30	4.30			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	43	0	43		
4BR	0%	0	0	0		
Total		43	0	43		
Unit Allocation by Affordability <sup>1</sup>	Market	Very Low	Low	Moderate	Mid Income	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	43	0	0	0	0	
4BR	0	0	0	0	0	
Total	43	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	3,200/unit	137,600	0	137,600		
4BR	/unit	0	0	0		
Total	3,200/unit	137,600	0	137,600		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	3,200/unit	137,600	0	137,600		
4BR	/unit	0	0	0		
Total	3,200	137,600	0	137,600		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	86			
4BR	3.0/unit	2.5/unit	0			
Type			86			
Surface	100%	86				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	\$10/land Sq.Ft.			\$101,302/unit	\$4,356,000	
Onsite improvements	\$5/land Sq.Ft.			\$50,651/unit	\$2,178,000	
Building <sup>2</sup>	\$55/vertical Sq.Ft.			\$176,000/unit	\$7,568,000	
Parking <sup>3</sup>						
Surface	\$/space	Included in on-site improvements			\$0	
First floor podium	\$20,000/space				\$0	
Subterranean 1	\$35,000/space				\$0	
Subterranean 2	\$40,000/space				\$0	
Subterranean 3	\$45,000/space				\$0	
Contractor Fee w/contingency	20.0% direct costs				\$2,820,400	
Total Direct Costs			\$123/sf	\$393,544/unit		\$16,922,400

Indirect Costs <sup>4</sup>						
A&E	7.0% direct costs				\$1,184,568	
Permits and Fees	\$20/GBA Sq.Ft.			\$64,000/unit	\$2,752,000	
Legal, Insurance, Warranty	3.0% direct costs				\$507,672	
Marketing	\$2,500/unit				\$107,500	
G&A	1.0% indirect costs				\$45,517	
Developer Fee	4.0% direct costs				\$676,896	
Soft Cost Contingency	5.0% indirect costs				\$263,708	
Total Indirect Costs			\$40/sf	\$128,787/unit		\$5,537,861
Financing <sup>5</sup>						
Fees					\$269,523	
Construction Period Interest					\$842,260	
Total Financing						\$1,111,783
Total Costs Before Developer Return and Land						\$23,572,044
Developer Return on Cost <sup>6</sup>	10.0% cost before land				\$2,357,204	
Total Costs Before Land			\$188/sf	\$603,006/unit		\$25,929,248
REVENUE						
Revenue/Unit	Market	Very Low	Low	Moderate	Mid Income	
Studio	\$	\$93,400	\$166,700	\$287,900	\$373,700	
1BR	\$	\$112,000	\$196,000	\$334,400	\$432,400	
2BR	\$	\$130,500	\$224,700	\$380,400	\$491,100	
3BR	\$700,000	\$145,000	\$249,900	\$422,800	\$545,700	
4BR	\$	\$158,500	\$271,500	\$458,600	\$591,000	
Revenue	Market	Very Low	Low	Moderate	Mid Income	
Studio	\$	\$	\$	\$	\$	
1BR	\$	\$	\$	\$	\$	
2BR	\$	\$	\$	\$	\$	
3BR	\$30,100,000	\$	\$	\$	\$	
4BR	\$	\$	\$	\$	\$	
Total	\$30,100,000	\$	\$	\$	\$	\$30,100,000
Cost of Sale						
Commissions	3%					(\$903,000)
Total Cost of Sale						(\$903,000)
Net Revenue						\$29,197,000
RETURN MEASURES						
SFD 4.3 (Sale)	Single-Family Detached, Medium Lot					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				\$212/GBA sf	\$679,000/unit	\$29,197,000
Total Development Cost Before Land and Assumed Return				\$171/GBA sf	\$548,187/unit	\$23,572,044
Developer profit at 10% of cost before land				\$17/GBA sf	\$54,819/unit	\$2,357,204
Total Development Cost Before Land				\$188/GBA sf	\$603,006/unit	\$25,929,248
Residual Land Value (Net Square Foot)				\$7.50/land sf	\$75,994/unit	\$3,267,752
Residual Land Value (Gross Square Foot) at net/gross of 65%				\$4.88/land sf		
(1) Very Low at 50% AMI, Low at 70% AMI, Moderate at 110% AMI, Middle-Income at 135% AMI						
(2) Vertical cost assumptions drawn from recent comparable proformas and AECOM experience with similar projects						
(3) Parking cost assumptions based on AECOM experience with other projects						
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects						
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance, 100% avg. absorption balance						
(6) Developer profit assumption from AECOM experience with similar projects						
Source: AECOM						



**Table 52: Base Case Pro Forma: SFD 7.3**

SFD 7.3 (Sale)		Single-Family Detached, Small Lot		Scenario: Base Case		
PROGRAM						
General						
Site (net developable ac)	10.00					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0.0%	0.0%	0.0%	0.0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.37	0.37			
DU/AC		7.30	7.30			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	73	0	73		
4BR	0%	0	0	0		
Total		73	0	73		
Unit Allocation by Affordability <sup>1</sup>	Market	Very Low	Low	Moderate	Mid Income	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	73	0	0	0	0	
4BR	0	0	0	0	0	
Total	73	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,200/unit	160,600	0	160,600		
4BR	/unit	0	0	0		
Total	2,200/unit	160,600	0	160,600		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	2,200/unit	160,600	0	160,600		
4BR	/unit	0	0	0		
Total	2,200	160,600	0	160,600		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	146			
4BR	3.0/unit	2.5/unit	0			
Type			146			
Surface	100%	146				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	\$10/land Sq.Ft.			\$59,671/unit	\$4,356,000	
Onsite improvements	\$5/land Sq.Ft.			\$29,836/unit	\$2,178,000	
Building <sup>2</sup>	\$60/vertical Sq.Ft.			\$132,000/unit	\$9,636,000	
Parking <sup>3</sup>						
Surface	\$/space	Included in on-site improvements			\$0	
First floor podium	\$20,000/space				\$0	
Subterranean 1	\$35,000/space				\$0	
Subterranean 2	\$40,000/space				\$0	
Subterranean 3	\$45,000/space				\$0	
Contractor Fee w/contingency	20.0% direct costs				\$3,234,000	
Total Direct Costs			\$121/sf	\$265,808/unit		\$19,404,000

Indirect Costs <sup>4</sup>						
A&E	7.0% direct costs				\$1,358,280	
Permits and Fees	\$20/GBA Sq.Ft.			\$44,000/unit	\$3,212,000	
Legal, Insurance, Warranty	3.0% direct costs				\$582,120	
Marketing	\$2,500/unit				\$182,500	
G&A	1.0% indirect costs				\$53,349	
Developer Fee	4.0% direct costs				\$776,160	
Soft Cost Contingency	5.0% indirect costs				\$308,220	
Total Indirect Costs			\$40/sf	\$88,666/unit		\$6,472,629
Financing <sup>5</sup>						
Fees					\$310,520	
Construction Period Interest					\$970,374	
Total Financing						\$1,280,893
Total Costs Before Developer Return and Land						\$27,157,523
Developer Return on Cost <sup>6</sup>	10.0% cost before land				\$2,715,752	
Total Costs Before Land			\$186/sf	\$409,223/unit		\$29,873,275
REVENUE						
Revenue/Unit	Market	Very Low	Low	Moderate	Mid Income	
Studio	\$	\$93,400	\$166,700	\$287,900	\$373,700	
1BR	\$	\$112,000	\$196,000	\$334,400	\$432,400	
2BR	\$	\$130,500	\$224,700	\$380,400	\$491,100	
3BR	\$630,000	\$145,000	\$249,900	\$422,800	\$545,700	
4BR	\$	\$158,500	\$271,500	\$458,600	\$591,000	
Revenue	Market	Very Low	Low	Moderate	Mid Income	
Studio	\$	\$	\$	\$	\$	
1BR	\$	\$	\$	\$	\$	
2BR	\$	\$	\$	\$	\$	
3BR	\$45,990,000	\$	\$	\$	\$	
4BR	\$	\$	\$	\$	\$	
Total	\$45,990,000	\$	\$	\$	\$	\$45,990,000
Cost of Sale						
Commissions	3%					(\$1,379,700)
Total Cost of Sale						(\$1,379,700)
Net Revenue						\$44,610,300
RETURN MEASURES						
SFD 7.3 (Sale)	Single-Family Detached, Small Lot					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
Residual Land Value Analysis						
Net Revenue/Value				\$278/GBA sf	\$611,100/unit	\$44,610,300
Total Development Cost Before Land and Assumed Return				\$169/GBA sf	\$372,021/unit	\$27,157,523
Developer profit at 10% of cost before land				\$17/GBA sf	\$37,202/unit	\$2,715,752
Total Development Cost Before Land				\$186/GBA sf	\$409,223/unit	\$29,873,275
Residual Land Value (Net Square Foot)				\$34/land sf	\$201,877/unit	\$14,737,025
Residual Land Value (Gross Square Foot) at net/gross of 65%				\$22/land sf		
(1) Very Low at 50% AMI, Low at 70% AMI, Moderate at 110% AMI, Middle-Income at 135% AMI						
(2) Vertical cost assumptions drawn from recent comparable proformas and AECOM experience with similar projects						
(3) Parking cost assumptions based on AECOM experience with other projects						
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects						
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance, 100% avg. absorption balance						
(6) Developer profit assumption from AECOM experience with similar projects						
Source: AECOM						

**Table 53: Base Case Pro Forma: Condo 10.9**

Condo 10.9 (Sale)		Condo 10.9 (Sale)		Scenario: Base Case		
PROGRAM						
General						
Site (net developable ac)	10.00					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0.0%	0.0%	0.0%	0.0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.48	0.48			
DU/AC		10.90	10.90			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	109	0	109		
4BR	0%	0	0	0		
Total		109	0	109		
Unit Allocation by Affordability <sup>1</sup>	Market	Very Low	Low	Moderate	Mid Income	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	109	0	0	0	0	
4BR	0	0	0	0	0	
Total	109	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	1,900/unit	207,100	0	207,100		
4BR	/unit	0	0	0		
Total	1,900/unit	207,100	0	207,100		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	1,900/unit	207,100	0	207,100		
4BR	/unit	0	0	0		
Total	1,900	207,100	0	207,100		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	218			
4BR	3.0/unit	2.5/unit	0			
Type			218			
Surface	100%	218				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	\$10/land Sq.Ft.			\$39,963/unit	\$4,356,000	
Onsite improvements	\$5/land Sq.Ft.			\$19,982/unit	\$2,178,000	
Building <sup>2</sup>	\$75/vertical Sq.Ft.			\$142,500/unit	\$15,532,500	
Parking <sup>3</sup>						
Surface	\$/space	Included in on-site improvements			\$0	
First floor podium	\$20,000/space				\$0	
Subterranean 1	\$35,000/space				\$0	
Subterranean 2	\$40,000/space				\$0	
Subterranean 3	\$45,000/space				\$0	
Contractor Fee w/contingency	20.0% direct costs				\$4,413,300	
Total Direct Costs			\$128/sf	\$242,934/unit		\$26,479,800

<b>Indirect Costs<sup>4</sup></b>						
A&E	7.0% direct costs				\$1,853,586	
Permits and Fees	\$20/GBA Sq.Ft.			\$38,000/unit	\$4,142,000	
Legal, Insurance, Warranty	3.0% direct costs				\$794,394	
Marketing	\$2,500/unit				\$272,500	
G&A	1.0% indirect costs				\$70,625	
Developer Fee	4.0% direct costs				\$1,059,192	
Soft Cost Contingency	5.0% indirect costs				\$409,615	
Total Indirect Costs			\$42/sf	\$78,917/unit		<b>\$8,601,912</b>
<b>Financing<sup>5</sup></b>						
Fees					\$420,981	
Construction Period Interest					\$1,315,564	
Total Financing						<b>\$1,736,545</b>
<b>Total Costs Before Developer Return and Land</b>						<b>\$36,818,256</b>
Developer Return on Cost <sup>6</sup>	10.0% cost before land				\$3,681,826	
<b>Total Costs Before Land</b>			\$196/sf	\$371,560/unit		<b>\$40,500,082</b>
<b>REVENUE</b>						
Revenue/Unit	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Studio	\$	\$93,400	\$166,700	\$287,900	\$373,700	
1BR	\$	\$112,000	\$196,000	\$334,400	\$432,400	
2BR	\$	\$130,500	\$224,700	\$380,400	\$491,100	
3BR	\$540,000	\$145,000	\$249,900	\$422,800	\$545,700	
4BR	\$	\$158,500	\$271,500	\$458,600	\$591,000	
Revenue	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Studio	\$	\$	\$	\$	\$	
1BR	\$	\$	\$	\$	\$	
2BR	\$	\$	\$	\$	\$	
3BR	\$58,860,000	\$	\$	\$	\$	
4BR	\$	\$	\$	\$	\$	
Total	\$58,860,000	\$	\$	\$	\$	<b>\$58,860,000</b>
<b>Cost of Sale</b>						
Commissions	3%					(\$1,765,800)
Total Cost of Sale						<b>(\$1,765,800)</b>
<b>Net Revenue</b>						<b>\$57,094,200</b>
<b>RETURN MEASURES</b>						
<b>Condo 10.9 (Sale)</b>	<b>Condo 10.9 (Sale)</b>					
<b>Scenario</b>						
Affordable Set-Aside	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
<b>Residual Land Value Analysis</b>						
Net Revenue/Value				\$276/GBA sf	\$523,800/unit	\$57,094,200
Total Development Cost Before Land and Assumed Return				\$178/GBA sf	\$337,782/unit	\$36,818,256
Developer profit at 10% of cost before land				\$18/GBA sf	\$33,778/unit	\$3,681,826
Total Development Cost Before Land				\$196/GBA sf	\$371,560/unit	\$40,500,082
Residual Land Value (Net Square Foot)				\$38/land sf	\$152,240/unit	\$16,594,118
Residual Land Value (Gross Square Foot) at net/gross of 65%				\$25/land sf		
(1) Very Low at 50% AMI, Low at 70% AMI, Moderate at 110% AMI, Middle-Income at 135% AMI						
(2) Vertical cost assumptions drawn from recent comparable proformas and AECOM experience with similar projects						
(3) Parking cost assumptions based on AECOM experience with other projects						
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects						
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance, 100% avg. absorption balance						
(6) Developer profit assumption from AECOM experience with similar projects						
Source: AECOM						

**Table 54: Base Case Pro Forma: TH-15**

TH-15 (Sale)		Attached Townhomes		Scenario: Base Case		
PROGRAM						
General						
Site (net developable ac)	10.00					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0.0%	0.0%	0.0%	0.0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.55	0.55			
DU/AC		15.00	15.00			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	0%	0	0	0		
2BR	0%	0	0	0		
3BR	100%	150	0	150		
4BR	0%	0	0	0		
Total		150	0	150		
Unit Allocation by Affordability <sup>1</sup>	Market	Very Low	Low	Moderate	Mid Income	
Studio	0	0	0	0	0	
1BR	0	0	0	0	0	
2BR	0	0	0	0	0	
3BR	150	0	0	0	0	
4BR	0	0	0	0	0	
Total	150	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	1,600/unit	240,000	0	240,000		
4BR	/unit	0	0	0		
Total	1,600/unit	240,000	0	240,000		
Net Building Area (Sq.Ft.)	100% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	/unit	0	0	0		
2BR	/unit	0	0	0		
3BR	1,600/unit	240,000	0	240,000		
4BR	/unit	0	0	0		
Total	1,600	240,000	0	240,000		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	0			
2BR	2.0/unit	2.0/unit	0			
3BR	2.0/unit	2.0/unit	300			
4BR	3.0/unit	2.5/unit	0			
Type			300			
Surface	100%	300				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	\$10/land Sq.Ft.			\$29,040/unit	\$4,356,000	
Onsite improvements	\$5/land Sq.Ft.			\$14,520/unit	\$2,178,000	
Building <sup>2</sup>	\$85/vertical Sq.Ft.			\$136,000/unit	\$20,400,000	
Parking <sup>3</sup>						
Surface	\$/space	Included in on-site improvements			\$0	
First floor podium	\$20,000/space				\$0	
Subterranean 1	\$35,000/space				\$0	
Subterranean 2	\$40,000/space				\$0	
Subterranean 3	\$45,000/space				\$0	
Contractor Fee w/contingency	20.0% direct costs				\$5,386,800	
Total Direct Costs			\$135/sf	\$215,472/unit		\$32,320,800

<b>Indirect Costs<sup>4</sup></b>						
A&E	7.0% direct costs				\$2,262,456	
Permits and Fees	\$20/GBA Sq.Ft.			\$32,000/unit	\$4,800,000	
Legal, Insurance, Warranty	3.0% direct costs				\$969,624	
Marketing	\$2,500/unit				\$375,000	
G&A	1.0% indirect costs				\$84,071	
Developer Fee	4.0% direct costs				\$1,292,832	
Soft Cost Contingency	5.0% indirect costs				\$489,199	
Total Indirect Costs			\$43/sf	\$68,488/unit		<b>\$10,273,182</b>
<b>Financing<sup>5</sup></b>						
Fees					\$511,128	
Construction Period Interest					\$1,597,274	
Total Financing						<b>\$2,108,402</b>
<b>Total Costs Before Developer Return and Land</b>						<b>\$44,702,384</b>
Developer Return on Cost <sup>6</sup>	10.0% cost before land				\$4,470,238	
<b>Total Costs Before Land</b>			\$205/sf	\$327,817/unit		<b>\$49,172,622</b>
<b>REVENUE</b>						
Revenue/Unit	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Studio	\$	\$93,400	\$166,700	\$287,900	\$373,700	
1BR	\$	\$112,000	\$196,000	\$334,400	\$432,400	
2BR	\$	\$130,500	\$224,700	\$380,400	\$491,100	
3BR	\$520,000	\$145,000	\$249,900	\$422,800	\$545,700	
4BR	\$	\$158,500	\$271,500	\$458,600	\$591,000	
Revenue	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Studio	\$	\$	\$	\$	\$	
1BR	\$	\$	\$	\$	\$	
2BR	\$	\$	\$	\$	\$	
3BR	\$78,000,000	\$	\$	\$	\$	
4BR	\$	\$	\$	\$	\$	
Total	\$78,000,000	\$	\$	\$	\$	<b>\$78,000,000</b>
<b>Cost of Sale</b>						
Commissions	3%					(\$2,340,000)
Total Cost of Sale						<b>(\$2,340,000)</b>
<b>Net Revenue</b>						<b>\$75,660,000</b>
<b>RETURN MEASURES</b>						
<b>TH-15 (Sale)</b>	<b>Attached Townhomes</b>					
<b>Scenario</b>						
Affordable Set-Aside	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
<b>Residual Land Value Analysis</b>						
Net Revenue/Value				\$315/GBA sf	\$504,400/unit	\$75,660,000
Total Development Cost Before Land and Assumed Return				\$186/GBA sf	\$298,016/unit	\$44,702,384
Developer profit at 10% of cost before land				\$19/GBA sf	\$29,802/unit	\$4,470,238
Total Development Cost Before Land				\$205/GBA sf	\$327,817/unit	\$49,172,622
Residual Land Value (Net Square Foot)				\$61/land sf	\$176,583/unit	\$26,487,378
Residual Land Value (Gross Square Foot) at net/gross of 65%				\$40/land sf		
(1) Very Low at 50% AMI, Low at 70% AMI, Moderate at 110% AMI, Middle-Income at 135% AMI						
(2) Vertical cost assumptions drawn from recent comparable proformas and AECOM experience with similar projects						
(3) Parking cost assumptions based on AECOM experience with other projects						
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects						
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance, 100% avg. absorption balance						
(6) Developer profit assumption from AECOM experience with similar projects						
Source: AECOM						

**Table 55: Base Case Pro Forma: Garden 20**

Garden 20 (Rent)		Garden Apt.		Scenario: Base Case		
PROGRAM						
General						
Site (developable ac)	13.25					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0.0%	0.0%	0.0%	0.0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.56	0.56			
DU/AC		20.00	20.00			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	48%	128	0	128		
2BR	45%	120	0	120		
3BR	6%	17	0	17		
4BR	0%	0	0	0		
Total		265	0	265		
Unit Allocation by Affordability <sup>1</sup>	Market	Very Low	Low	Moderate	Mid Income	
Studio	0	0	0	0	0	
1BR	128	0	0	0	0	
2BR	120	0	0	0	0	
3BR	17	0	0	0	0	
4BR	0	0	0	0	0	
Total	265	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	1,000/unit	128,000	0	128,000		
2BR	1,375/unit	165,000	0	165,000		
3BR	1,738/unit	29,538	0	29,538		
4BR	/unit	0	0	0		
Total	1,217/unit	322,538	0	322,538		
Net Building Area (Sq.Ft.)	80% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	800/unit	102,400	0	102,400		
2BR	1,100/unit	132,000	0	132,000		
3BR	1,390/unit	23,630	0	23,630		
4BR	/unit	0	0	0		
Total	974	258,030	0	258,030		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	256			
2BR	2.0/unit	2.0/unit	240			
3BR	2.0/unit	2.0/unit	34			
4BR	3.0/unit	2.5/unit	0			
Type			530			
Surface	100%	530				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	\$10/land Sq.Ft.			\$21,780/unit	\$5,771,700	
Onsite improvements	\$5/land Sq.Ft.			\$10,890/unit	\$2,885,850	
Building <sup>2</sup>	\$90/vertical Sq.Ft.			\$109,541/unit	\$29,028,375	
Parking <sup>3</sup>						
Surface	\$/space	Included in on-site improvements			\$0	
First floor podium	\$20,000/space				\$0	
Subterranean 1	\$35,000/space				\$0	
Subterranean 2	\$40,000/space				\$0	
Subterranean 3	\$45,000/space				\$0	
Contractor Fee w/contingency	20.0% direct costs				\$7,537,185	
Total Direct Costs			\$140/sf	\$170.653/unit		\$45,223,110

<b>Indirect Costs<sup>4</sup></b>						
A&E	7.0% direct costs				\$3,165,618	
Permits and Fees	\$20/GBA Sq.Ft.			\$24,342/unit	\$6,450,750	
Legal, Insurance, Warranty	3.0% direct costs				\$1,356,693	
Marketing	\$2,500/unit				\$662,500	
G&A	1.0% indirect costs				\$116,356	
Developer Fee	4.0% direct costs				\$1,808,924	
Soft Cost Contingency	5.0% indirect costs				\$678,042	
Total Indirect Costs			\$44/sf	\$53,732/unit		<b>\$14,238,883</b>
<b>Financing<sup>5</sup></b>						
Fees					\$713,544	
Construction Period Interest					\$2,229,825	
Total Financing						<b>\$2,943,369</b>
<b>Total Costs Before Developer Return and Land</b>						<b>\$62,405,362</b>
Developer Return on Cost <sup>6</sup>	10.0% cost before land				\$6,240,536	
<b>Total Costs Before Land</b>			\$213/sf	\$259,041/unit		<b>\$68,645,898</b>
<b>REVENUE</b>						
Rent/Unit/Month	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Studio	\$	\$806	\$1,210	\$1,877	\$2,350	
1BR	\$2,034	\$908	\$1,371	\$2,133	\$2,673	
2BR	\$2,401	\$1,010	\$1,529	\$2,386	\$2,996	
3BR	\$2,936	\$1,091	\$1,668	\$2,620	\$3,297	
4BR	\$	\$1,164	\$1,787	\$2,817	\$3,546	
Revenue/Year	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Studio	\$	\$	\$	\$	\$	
1BR	\$3,124,892	\$	\$	\$	\$	
2BR	\$3,457,823	\$	\$	\$	\$	
3BR	\$598,907	\$	\$	\$	\$	
4BR	\$	\$	\$	\$	\$	
Total Gross Revenue	\$7,181,622	\$	\$	\$	\$	<b>\$7,181,622</b>
(less) vacancy	5%					(\$359,081)
(less) Operating Expenses	30%					(\$2,154,487)
Capitalized value of NOI	4%					<b>\$113,110,544</b>
Commissions	3%					(\$3,393,316)
Total Cost of Sale						(\$3,393,316)
<b>Net Revenue</b>						<b>\$109,717,227</b>
<b>RETURN MEASURES</b>						
<b>Garden 20 (Rent)</b>	<b>Garden Apt.</b>					
<b>Scenario</b>						
Affordable Set-Aside	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
<b>Residual Land Value Analysis</b>						
Net Revenue/Value				\$340/GBA sf	\$414,027/unit	\$109,717,227
Total Development Cost Before Land and Assumed Return				\$193/GBA sf	\$235,492/unit	\$62,405,362
Developer profit at 10% of cost before land				\$19/GBA sf	\$23,549/unit	\$6,240,536
Total Development Cost Before Land				\$213/GBA sf	\$259,041/unit	\$68,645,898
Residual Land Value (Net Square Foot)				\$71/land sf	\$154,986/unit	\$41,071,329
Residual Land Value (Gross Square Foot) at net/gross of 65%				\$46/land sf		
(1) Very Low at 50% AMI, Low at 70% AMI, Moderate at 110% AMI, Middle-Income at 135% AMI						
(2) Vertical cost assumptions drawn from recent comparable proformas and AECOM experience with similar projects						
(3) Parking cost assumptions based on AECOM experience with other projects						
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects						
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance, 100% avg. absorption balance						
(6) Developer profit assumption from AECOM experience with similar projects						
Source: AECOM						



**Table 56: Base Case Pro Forma: Flats 30**

Flats 30 (Rent)		Stacked Flats		Scenario: Base Case		
PROGRAM						
General						
Site (net developable ac)	6.33					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0.0%	0.0%	0.0%	0.0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		0.85	0.85			
DU/AC		30.00	30.00			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	47%	90	0	90		
2BR	43%	82	0	82		
3BR	9%	18	0	18		
4BR	0%	0	0	0		
Total		190	0	190		
Unit Allocation by Affordability <sup>1</sup>	Market	Very Low	Low	Moderate	Mid Income	
Studio	0	0	0	0	0	
1BR	90	0	0	0	0	
2BR	82	0	0	0	0	
3BR	18	0	0	0	0	
4BR	0	0	0	0	0	
Total	190	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	988/unit	88,875	0	88,875		
2BR	1,413/unit	115,825	0	115,825		
3BR	1,625/unit	29,250	0	29,250		
4BR	/unit	0	0	0		
Total	1,231/unit	233,950	0	233,950		
Net Building Area (Sq.Ft.)	80% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	790/unit	71,100	0	71,100		
2BR	1,130/unit	92,660	0	92,660		
3BR	1,300/unit	23,400	0	23,400		
4BR	/unit	0	0	0		
Total	985	187,160	0	187,160		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	180			
2BR	2.0/unit	2.0/unit	164			
3BR	2.0/unit	2.0/unit	36			
4BR	3.0/unit	2.5/unit	0			
Type			380			
Surface	100%	380				
First floor podium	0%	0				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	\$10/land Sq.Ft.			\$14,520/unit	\$2,758,800	
Onsite improvements	\$5/land Sq.Ft.			\$7,260/unit	\$1,379,400	
Building <sup>2</sup>	\$110/vertical Sq.Ft.			\$135,445/unit	\$25,734,500	
Parking <sup>3</sup>						
Surface	\$/space	Included in on-site improvements			\$0	
First floor podium	\$20,000/space				\$0	
Subterranean 1	\$35,000/space				\$0	
Subterranean 2	\$40,000/space				\$0	
Subterranean 3	\$45,000/space				\$0	
Contractor Fee w/contingency	20.0% direct costs				\$5,974,540	
Total Direct Costs			\$153/sf	\$188,670/unit		\$35,847,240

<b>Indirect Costs<sup>4</sup></b>						
A&E	7.0% direct costs				\$2,509,307	
Permits and Fees	\$20/GBA Sq.Ft.			\$24,626/unit	\$4,679,000	
Legal, Insurance, Warranty	3.0% direct costs				\$1,075,417	
Marketing	\$2,500/unit				\$475,000	
G&A	1.0% indirect costs				\$87,387	
Developer Fee	4.0% direct costs				\$1,433,890	
Soft Cost Contingency	5.0% indirect costs				\$513,000	
Total Indirect Costs			\$46/sf	\$56,700/unit		<b>\$10,773,001</b>
<b>Financing<sup>5</sup></b>						
Fees					\$559,443	
Construction Period Interest					\$1,748,259	
Total Financing						<b>\$2,307,702</b>
<b>Total Costs Before Developer Return and Land</b>						<b>\$48,927,943</b>
Developer Return on Cost <sup>6</sup>	10.0% cost before land				\$4,892,794	
<b>Total Costs Before Land</b>			\$230/sf	\$283,267/unit		<b>\$53,820,737</b>
<b>REVENUE</b>						
Rent/Unit/Month	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Studio	\$	\$806	\$1,210	\$1,877	\$2,350	
1BR	<b>\$2,086</b>	\$908	\$1,371	\$2,133	\$2,673	
2BR	<b>\$2,588</b>	\$1,010	\$1,529	\$2,386	\$2,996	
3BR	<b>\$3,042</b>	\$1,091	\$1,668	\$2,620	\$3,297	
4BR	\$	\$1,164	\$1,787	\$2,817	\$3,546	
Revenue/Year	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Studio	\$	\$	\$	\$	\$	
1BR	\$2,252,558	\$	\$	\$	\$	
2BR	\$2,546,982	\$	\$	\$	\$	
3BR	\$657,146	\$	\$	\$	\$	
4BR	\$	\$	\$	\$	\$	
Total Gross Revenue	\$5,456,686	\$	\$	\$	\$	<b>\$5,456,686</b>
(less) vacancy	5%					(\$272,834)
(less) Operating Expenses	30%					(\$1,637,006)
Capitalized value of NOI	4%					<b>\$85,942,799</b>
Commissions	3%					(\$2,578,284)
Total Cost of Sale						(\$2,578,284)
<b>Net Revenue</b>						<b>\$83,364,515</b>
<b>RETURN MEASURES</b>						
<b>Flats 30 (Rent)</b>	<b>Stacked Flats</b>					
<b>Scenario</b>						
Affordable Set-Aside	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
<b>Residual Land Value Analysis</b>						
Net Revenue/Value				\$356/GBA sf	\$438,761/unit	\$83,364,515
Total Development Cost Before Land and Assumed Return				\$209/GBA sf	\$257,515/unit	\$48,927,943
Developer profit at 10% of cost before land				\$21/GBA sf	\$25,752/unit	\$4,892,794
Total Development Cost Before Land				\$230/GBA sf	\$283,267/unit	\$53,820,737
Residual Land Value (Net Square Foot)				\$107/land sf	\$155,494/unit	\$29,543,778
Residual Land Value (Gross Square Foot) at net/gross of 65%				\$70/land sf		
(1) Very Low at 50% AMI, Low at 70% AMI, Moderate at 110% AMI, Middle-Income at 135% AMI						
(2) Vertical cost assumptions drawn from recent comparable proformas and AECOM experience with similar projects						
(3) Parking cost assumptions based on AECOM experience with other projects						
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects						
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance, 100% avg. absorption balance						
(6) Developer profit assumption from AECOM experience with similar projects						
Source: AECOM						

**Table 57: Base Case Pro Forma: Podium 45**

Podium (Rent)	Stacked Flats on Podium		Scenario: Base Case			
PROGRAM						
General						
Site (net developable ac)	5.3					
Scenario						
Affordable Set-Aside	Market	Very Low	Low	Moderate	Mid Income	
Set-Aside %	100%	0.0%	0.0%	0.0%	0.0%	
Density Bonus	0%					
Density		Base	w/Bonus			
FAR		1.35	1.35			
DU/AC		45.00	45.00			
Residential Units						
Unit Type by Bedrooms	%	Base	Bonus	Total		
Studio	0%	0	0	0		
1BR	45%	107	0	107		
2BR	36%	85	0	85		
3BR	19%	45	0	45		
4BR	0%	0	0	0		
Total		237	0	237		
Unit Allocation by Affordability <sup>1</sup>	Market	Very Low	Low	Moderate	Mid Income	
Studio	0	0	0	0	0	
1BR	107	0	0	0	0	
2BR	85	0	0	0	0	
3BR	45	0	0	0	0	
4BR	0	0	0	0	0	
Total	237	0	0	0	0	
Gross Building Area (Sq.Ft.)		Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	1,000/unit	107,000	0	107,000		
2BR	1,475/unit	125,375	0	125,375		
3BR	1,713/unit	77,063	0	77,063		
4BR	/unit	0	0	0		
Total	1,306/unit	309,438	0	309,438		
Net Building Area (Sq.Ft.)	80% efficiency	Base	Bonus	Total		
Studio	/unit	0	0	0		
1BR	800/unit	85,600	0	85,600		
2BR	1,180/unit	100,300	0	100,300		
3BR	1,370/unit	61,650	0	61,650		
4BR	/unit	0	0	0		
Total	1,045	247,550	0	247,550		
Parking (spaces)	Base	w/Concessn	Spaces			
Studio	2.0/unit	1.0/unit	0			
1BR	2.0/unit	1.0/unit	214			
2BR	2.0/unit	2.0/unit	170			
3BR	2.0/unit	2.0/unit	90			
4BR	3.0/unit	2.5/unit	0			
Type			474			
Surface	0%	0				
First floor podium	100%	474				
Subterranean 1	0%	0				
Subterranean 2	0%	0				
Subterranean 3	0%	0				
DEVELOPMENT COSTS						
Direct Costs						
Site						
Offsite improvements	\$10/land Sq.Ft.			\$9,680/unit	\$2,294,160	
Onsite improvements	\$5/land Sq.Ft.			\$4,840/unit	\$1,147,080	
Building <sup>2</sup>	\$120/vertical Sq.Ft.			\$156,677/unit	\$37,132,500	
Parking <sup>3</sup>						
Surface	\$/space	Included in on-site improvements			\$0	
First floor podium	\$20,000/space				\$9,480,000	
Subterranean 1	\$35,000/space				\$0	
Subterranean 2	\$40,000/space				\$0	
Subterranean 3	\$45,000/space				\$0	
Contractor Fee w/contingency	20.0% direct costs				\$10,010,748	
Total Direct Costs			\$194/sf	\$253,437/unit		\$60,064,488

<b>Indirect Costs<sup>4</sup></b>						
A&E	7.0% direct costs				\$4,204,514	
Permits and Fees	\$20/GBA Sq.Ft.			\$26,113/unit	\$6,188,750	
Legal, Insurance, Warranty	3.0% direct costs				\$1,801,935	
Marketing	\$2,500/unit				\$592,500	
G&A	1.0% indirect costs				\$127,877	
Developer Fee	4.0% direct costs				\$2,402,580	
Soft Cost Contingency	5.0% indirect costs				\$765,908	
Total Indirect Costs			\$52/sf	\$67,865/unit		<b>\$16,084,063</b>
<b>Financing<sup>5</sup></b>						
Fees					\$913,783	
Construction Period Interest					\$2,855,571	
Total Financing						<b>\$3,769,353</b>
<b>Total Costs Before Developer Return and Land</b>						<b>\$79,917,904</b>
Developer Return on Cost <sup>6</sup>	10.0% cost before land				\$7,991,790	
<b>Total Costs Before Land</b>			\$284/sf	\$370,927/unit		<b>\$87,909,695</b>
<b>REVENUE</b>						
Rent/Unit/Month	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Studio	\$	\$806	\$1,210	\$1,877	\$2,350	
1BR	\$2,275	\$908	\$1,371	\$2,133	\$2,673	
2BR	\$2,676	\$1,010	\$1,529	\$2,386	\$2,996	
3BR	\$3,138	\$1,091	\$1,668	\$2,620	\$3,297	
4BR	\$	\$1,164	\$1,787	\$2,817	\$3,546	
Revenue/Year	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Studio	\$	\$	\$	\$	\$	
1BR	\$2,920,752	\$	\$	\$	\$	
2BR	\$2,729,602	\$	\$	\$	\$	
3BR	\$1,694,544	\$	\$	\$	\$	
4BR	\$	\$	\$	\$	\$	
Total Gross Revenue	\$7,344,898	\$	\$	\$	\$	<b>\$7,344,898</b>
(less) vacancy	5%					(\$367,245)
(less) Operating Expenses	30%					(\$2,203,469)
Capitalized value of NOI	4%					<b>\$115,682,139</b>
Commissions	3%					(\$3,470,464)
Total Cost of Sale						(\$3,470,464)
<b>Net Revenue</b>						<b>\$112,211,675</b>
<b>RETURN MEASURES</b>						
<b>Podium (Rent)</b>	<b>Stacked Flats on Podium</b>					
<b>Scenario</b>						
Affordable Set-Aside	<u>Market</u>	<u>Very Low</u>	<u>Low</u>	<u>Moderate</u>	<u>Mid Income</u>	
Set-Aside %	100%	0%	0%	0%	0%	
Density Bonus	0%					
<b>Residual Land Value Analysis</b>						
Net Revenue/Value				\$363/GBA sf	\$473,467/unit	\$112,211,675
Total Development Cost Before Land and Assumed Return				\$258/GBA sf	\$337,206/unit	\$79,917,904
Developer profit at 10% of cost before land				\$26/GBA sf	\$33,721/unit	\$7,991,790
Total Development Cost Before Land				\$284/GBA sf	\$370,927/unit	\$87,909,695
Residual Land Value (Net Square Foot)				\$106/land sf	\$102,540/unit	\$24,301,980
Residual Land Value (Gross Square Foot) at net/gross of 65%				\$69/land sf		
(1) Very Low at 50% AMI, Low at 70% AMI, Moderate at 110% AMI, Middle-Income at 135% AMI						
(2) Vertical cost assumptions drawn from recent comparable proformas and AECOM experience with similar projects						
(3) Parking cost assumptions based on AECOM experience with other projects						
(4) Indirect cost assumption based on standard ratios and AECOM experience with other projects						
(5) Construction financing at 60% LTC, 2.0% loan fee, 5.0% rate, 18 months construction, 6 months leasing/absorption, 50% avg. const balance, 100% avg. absorption balance						
(6) Developer profit assumption from AECOM experience with similar projects						
Source: AECOM						